

1. GENERAL

The Company is a public limited company incorporated in Bermuda with its shares listed on The Stock Exchange of Hong Kong Limited.

The Company is principally engaged in investment holding. The principal activities of the Group are property investment, investment holding, investment in trading securities, provision of internet and internet related services and provision of brokerage and financial services.

The period covered by the financial statements for the period ended 31 December 2000 is less than twelve months because the Company's financial year end was changed from 31 March to 31 December so that the preparation of financial information is better co-ordinated with annual corporate and strategic planning of the Group. Accordingly, the comparative amounts shown for the income statement, cash flow statement, statement of recognised gains and losses and related notes cover a nine-month period from 1 April 2000 to 31 December 2000 and may not be comparable with the amounts shown for the current year.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The consolidated financial statements are prepared under the historical cost convention except for investment properties and investments in securities which are measured at fair values. Fair value is the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction, and is determined on the basis of existing use.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAPs") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The principal accounting policies adopted are set out below:

(a) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and enterprises controlled by the Company (its subsidiaries) made up to 31 December each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee enterprise so as to obtain benefits from its activities.

On acquisition, the assets and liabilities of the relevant subsidiaries are measured at their fair values at the date of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

(b) Goodwill

Goodwill arising on consolidation, which represents the excess of the purchase consideration over the fair value ascribed to the separable net assets at the date of acquisition of a subsidiary or an associate, is capitalised and amortised on a straight line basis over its estimated useful life or twenty years, whichever is shorter. Goodwill arising from acquisitions of interests in subsidiaries and associates engaging in internet and internet related business is amortised over five years.

Goodwill arising from acquisitions of subsidiaries and associates is included in intangible assets and within the carrying value of the associates respectively. Provision is made for all identified impairment loss.

Negative goodwill represents the excess of the fair value ascribed to the separable net assets at the date of acquisition of a subsidiary or an associate over the purchase consideration.

Negative goodwill arising on acquisitions of subsidiaries and associates prior to 1 January 2001 continues to be held in reserves and is included in the carrying value of the associates respectively and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisitions of subsidiaries and associates after 1 January 2001 is presented as deduction from intangible assets and included in the carrying value of associates respectively and will be released to income based on an analysis of the circumstances from which the balance resulted.

To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill not exceeding the fair values of the non-monetary assets acquired is recognised in the income statement over the weighted average life of those assets. The amount of negative goodwill in excess of the fair values of acquired identifiable non-monetary assets acquired is recognised as income immediately.

Upon disposal of subsidiaries or associates, the relevant portion of attributable negative goodwill or goodwill net of amortisation and any impairment losses, is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Investments in subsidiaries

A subsidiary is an enterprise controlled by the Group. An enterprise is considered to be controlled if the Group has the power, directly or indirectly, to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

(d) Investments in associates

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

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting whereby the investments are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the associates plus premium paid less any discount on acquisition in so far it has not already been amortised/released to income, less any identified impairment loss.

Where a group enterprise transacts with an associate of the Group, 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, in which case they are immediately recognised in the income statement.

(e) Revenue recognition

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

Revenue from the sale of trading securities is recognised on a trade-date basis.

Brokerage fees and commission income are recognised when relevant services are provided.

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

Dividend income is recognised when the Group's right to receive payment has been established.

Revenue from provision of consultancy services is recognised when relevant service is provided.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Investment properties

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

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

On disposal of investment properties, the balance on the investment property revaluation reserve attributable to that property disposed of is credited to the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

(g) Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and impairment losses. 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 asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to income statement 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 the asset.

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 income statement.

Depreciation is provided to write off the cost of property, plant and equipment, other than investment properties, over their estimated useful lives, using the straight line method, at the following rates per annum:

Leasehold land/land use rights	Over the terms of leases/land use rights
Buildings	4%
Leasehold improvements	10%
Furniture and fixtures	10-20%
Plant and machinery	10%
Motor vehicles	25%

Assets held under finance leases are depreciated on the same basis as owned assets.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Investments in securities

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

All securities other than held-to-maturity debt securities are measured at fair value at subsequent reporting dates. The Group has no held-to-maturity debt securities.

Where securities are held for trading purposes, unrealised gains and losses are included in the income statement for the year. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in the income statement for the year.

(i) Leases

Leases are classified as finance leases when the terms of the leases transfer substantially all the risks and rewards of ownership of the assets to the Group. All other leases are classified as operating leases.

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 obligations under finance leases. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the term 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.

Rentals payments/receipts under operating leases are charged to/recognised in the income statement on a straight line basis over the term of the relevant leases.

(j) Intangible assets

Intangible assets comprise goodwill which is accounted for in accordance with note 3(b) above and the Group's trading rights in The Stock Exchange of Hong Kong Limited and The Hong Kong Futures Exchange Limited. The trading rights are stated at cost less amortisation. Amortisation is calculated on the straight line basis to write off the cost of the trading rights over their estimated useful lives of ten years.

(k) Other long term assets

Other long term assets are stated at cost less provision for all identified impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) 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 such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Expected future cash flows have been discounted in determining the recoverable amount.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another SSAP, in which case the impairment loss is treated as a revaluation decrease under that SSAP.

A previously recognised impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined had no impairment loss been recognised in prior years.

(m) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event which will probably result in an outflow of economic benefits that can be reasonably estimated.

(n) Retirement benefits scheme

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") for all qualifying employees. The assets of the scheme are held separately from those of the Group in funds under the control of trustees.

The retirement benefit costs charged to the income statement represent the contributions payable in respect of the current year to the Group's MPF Scheme.

(o) 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 under 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.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**(p) 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. Gains and losses arising on exchange are dealt with in the income statement.

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

(q) 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.

4. TURNOVER

	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000
Proceeds from sale of trading securities	112,886	219,174
Interest income	57,803	26,574
Brokerage fees and commission income	16,031	13,851
Dividend income from listed securities	549	1,123
Rental income	7,096	4,784
	194,365	265,506

Included in turnover is an amount of HK\$30,431,000 in respect of trading securities disposed of in exchange for certain subsidiaries principally engaged in property investment acquired by the Group during the year.

5. SEGMENTAL INFORMATION

Business segments

For management reporting purposes, business segment information is chosen as the primary reporting format. The principal business segments of the Group comprise the following:

Investment in trading securities	:	Purchase and sale of securities
Brokerage and financial services	:	Provide securities brokerage services, financial advisory services and loan financing
Property investment	:	Lease properties for rentals
Internet and internet related services	:	Provide internet and internet related services
Investment holding	:	Hold investments for dividend income and capital appreciation

Segmental information about these businesses is presented below.

Year ended 31 December 2001

	Investment in trading securities HK\$'000	Brokerage and financial services HK\$'000	Property investment HK\$'000	Internet and internet related services HK\$'000	Investment holding HK\$'000	Inter-segment eliminations HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
Revenue								
Turnover								
External	113,435	73,834	7,096	—	—	—	—	194,365
Inter-segment	—	4,819	3,565	—	—	(8,384)	—	—
	113,435	78,653	10,661	—	—	(8,384)	—	194,365
Other revenue	—	7,045	86	666	—	—	1,293	9,090
Total revenue	113,435	85,698	10,747	666	—	(8,384)	1,293	203,455

Inter-segment revenue is charged at terms comparable to those offered to independent third parties.

5. SEGMENTAL INFORMATION (Continued)

Year ended 31 December 2001

	Investment in trading securities HK\$'000	Brokerage and financial services HK\$'000	Property investment HK\$'000	Internet and internet related services HK\$'000	Investment holding HK\$'000	Inter-segment eliminations HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
Result								
Segment loss	(25,307)	(83,679)	(34,843)	(18,551)	(1,471)	—	(33,617)	(197,468)
Forfeiture of sale deposit received from disposal of interest in a subsidiary	—	—	33,000	—	—	—	—	33,000
Net gain on disposals of interests in associates	—	—	—	103	—	—	—	103
Loss on disposal of other securities	—	—	—	—	(21,619)	—	—	(21,619)
Impairment losses	—	—	(120,479)	—	—	—	(4,783)	(125,262)
Net gain on dilution of interest in a subsidiary	—	1,269	—	—	—	—	—	1,269
Other finance costs	—	—	—	—	—	—	(37,666)	(37,666)
Share of results of associates	—	—	(4,466)	(2,887)	—	—	—	(7,353)
Loss before taxation								(354,996)
Taxation								86
Loss after taxation								(354,910)

5. SEGMENTAL INFORMATION (Continued)

Nine months ended 31 December 2000

	Investment in trading securities HK\$'000	Brokerage and financial services HK\$'000	Property investment HK\$'000	Internet and internet related services HK\$'000	Investment holding HK\$'000	Inter-segment eliminations HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
Revenue								
Turnover								
External	220,297	40,425	4,784	—	—	—	—	265,506
Inter-segment	—	653	1,890	—	—	(2,543)	—	—
	220,297	41,078	6,674	—	—	(2,543)	—	265,506
Other revenue	—	3,388	—	3,430	—	—	7,845	14,663
Total revenue	220,297	44,466	6,674	3,430	—	(2,543)	7,845	280,169

Inter-segment revenue is charged at terms comparable to those offered to independent third parties.

	(130,801)	(42,172)	(19,746)	(29,540)	(162)	—	(21,840)	(244,261)
Result								
Segment loss								
Net gain on disposal of interests in associates	—	2,643	—	—	—	—	—	2,643
Impairment losses	—	—	—	(340,905)	—	—	—	(340,905)
Gain on dilution of interest in a subsidiary	—	—	—	13,118	—	—	—	13,118
Provision for compensation on disposal of interest in a subsidiary written back	—	7,556	—	—	—	—	—	7,556
Other finance costs	—	—	—	—	—	—	(34,141)	(34,141)
Share of results of associates	—	11,100	(9,086)	(938)	—	—	—	1,076
Loss before taxation								(594,914)
Taxation								(2,247)
Loss after taxation								(597,161)

5. SEGMENTAL INFORMATION (Continued)

Assets and liabilities as at 31 December 2001

	Investment in trading securities HK\$'000	Brokerage and financial services HK\$'000	Property investment HK\$'000	Internet and internet related services HK\$'000	Investment holding HK\$'000	Inter-segment eliminations HK\$'000	Consolidated total HK\$'000
Assets							
Segment assets	59,464	581,430	431,552	—	48,245	(3,321)	1,117,370
Interests in associates	—	—	22,285	—	—	—	22,285
Unallocated assets							75,323
Total assets							1,214,978
Liabilities							
Segment liabilities	—	137,331	13,212	—	—	(3,321)	147,222
Unallocated liabilities							603,238
Total liabilities							750,460

Assets and liabilities as at 31 December 2000

Assets							
Segment assets	147,097	292,931	586,149	94,790	108,097	(15,584)	1,213,480
Interests in associates	—	—	50,352	—	—	—	50,352
Unallocated assets							117,623
Total assets							1,381,455
Liabilities							
Segment liabilities	15,269	127,547	44,399	5,420	—	(15,584)	177,051
Unallocated liabilities							564,396
Total liabilities							741,447

5. SEGMENTAL INFORMATION (Continued)

	Investment in trading securities HK\$'000	Brokerage and financial services HK\$'000	Property investment HK\$'000	Internet and internet related services HK\$'000	Investment holding HK\$'000	Inter-segment eliminations HK\$'000	Unallocated HK\$'000	Consolidated total HK\$'000
Other information for the year ended 31 December 2001								
Capital expenditure incurred during the year*	—	5,974	15,308	5,788	—	—	17,150	44,220
Depreciation and amortisation	—	1,810	9,842	11,724	—	—	4,906	28,282
Provision for bad and doubtful debts	—	108,976	3,815	—	—	—	97	112,888
Other information for the nine months ended 31 December 2000								
Capital expenditure incurred during the period*	—	21,743	15,564	359,788	144,558	—	33,019	574,672
Depreciation and amortisation	—	1,103	7,481	28,480	—	—	1,825	38,889
Provision for bad and doubtful debts	—	45,841	—	—	—	—	325	46,166
Net unrealised loss on trading securities	125,173	—	—	—	—	—	—	125,173

* including additions to other long term assets and intangible assets

Geographical segments

The Group's operations are substantially carried out in Hong Kong. No geographical segment information has been presented as the turnover and results attributable to other geographical segments other than Hong Kong are insignificant. In addition, the assets as at 31 December 2001 and 31 December 2000 and capital expenditure incurred not attributable to Hong Kong geographical segment for the year ended 31 December 2001 and period ended 31 December 2000 are less than 10% of those of all geographical segments.

6. OTHER REVENUE

	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000
Consultancy fee	2,660	3,430
Guarantee fee income	808	—
Bank interest income	1,346	5,248
Interest income on other loan receivable	75	60
Write back of unclaimed dividend	136	—
Sundry income	3,879	3,398
Accounts payable written back	186	1,468
Recovery of expenses and losses from third parties	—	559
Loan arrangement fee	—	500
	9,090	14,663

7. OTHER OPERATING EXPENSES

Included in other operating expenses are the following:

	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000
Net provision for bad and doubtful debts	(112,888)	(46,166)
Provision for amount due from an associate	(6,602)	(3,000)
Net unrealised gain/(loss) on trading securities	4,295	(125,173)
Net deficit arising on revaluation of investment properties	(25,343)	(14,760)
	(140,538)	(189,099)

8. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging:

	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000
Depreciation on:		
Owned assets	16,084	10,572
Assets held under finance leases	159	123
Amortisation of trading rights on		
The Stock Exchange of Hong Kong Limited	649	—
Amortisation of goodwill of subsidiaries	11,390	26,522
Amortisation of goodwill of associates	—	1,672
	28,282	38,889
Total depreciation and amortisation		
Auditors' remuneration:		
Current year/period	1,040	1,200
Overprovision in prior years	(7)	(134)
Contributions to MPF Scheme	747	26
Loss on disposals of investment properties	2,520	—
Loss on disposals of property, plant and equipment	650	1,766
	7,096	4,784
and after crediting:		
Rental income from investment properties	(712)	(232)
	6,384	4,552
Release of negative goodwill to income	208	—

9. NET GAIN ON DISPOSALS OF INTERESTS IN ASSOCIATES

During the year, the Group no longer has control over Cupac Technology Limited ("Cupac") which is principally engaged in the provision of internet and internet related services and investment in trading securities. Accordingly, Cupac was reclassified as an associate. The results of Cupac were consolidated up to 30 June 2001, when Cupac became an associate of the Group, and were equity accounted for thereafter until the eventual disposal on 14 August 2001. This has resulted in a gain on disposal of HK\$103,000.

The Group's loss before taxation to the extent of HK\$21,591,000 (2000: HK\$398,671,000) is attributable to Cupac. Cupac did not have significant contribution to the Group's turnover for the year ended 31 December 2001. For the period ended 31 December 2000, Cupac has contributed HK\$42,637,000 to the Group's turnover in respect of proceeds from sale of trading securities.

10. NET GAIN ON DILUTION OF INTEREST IN A SUBSIDIARY

The net gain on dilution of interest in a subsidiary, Hennabun Management Inc. ("HMI"), totalling HK\$1,269,000 for the year ended 31 December 2001 is resulted from allotment of new shares of HMI to a third party pursuant to a subscription agreement dated 27 March 2001. Under the said agreement, the Company is required to make payment of HK\$50,000,000 to HMI to fulfil its warranties for HMI's financial performance in respect of the year ended 31 December 2001. Accordingly, the portion attributable to the minority shareholders on the said payment amounted to HK\$9,460,000 which has been deducted in arriving at the net gain aforementioned.

11. OTHER FINANCE COSTS

	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000
Interest on:		
Bank and other borrowings wholly repayable within five years	22,858	26,956
Bank and other borrowings wholly repayable over five years	22,018	14,441
Convertible notes	4,489	664
Obligations under finance leases	49	37
	49,414	42,098
Less: Amount attributable to provision of financial services	(11,748)	(7,957)
	37,666	34,141

12. DIRECTORS' EMOLUMENTS

	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000
Fees:		
Executive directors	—	—
Independent non-executive directors	—	—
	—	—
Other emoluments:		
Executive directors	9,214	6,868
Independent non-executive directors	120	170
	9,334	7,038
Other emoluments comprises:		
Salaries and other benefits	9,262	7,032
Contributions to MPF Scheme	72	6
	9,334	7,038

12. DIRECTORS' EMOLUMENTS (Continued)

Emoluments of the directors were within the following bands:

	Year ended 31/12/2001	Nine months ended 31/12/2000
	Number of directors	
Nil to HK\$1,000,000	5	6
HK\$1,500,001 to HK\$2,000,000	1	1
HK\$3,500,001 to HK\$4,000,000	—	1
HK\$4,500,001 to HK\$5,000,000	1	—
	7	8

During the year ended 31 December 2001 and period ended 31 December 2000, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, during the year ended 31 December 2001 and period ended 31 December 2000, no directors have waived any emoluments.

13. EMPLOYEES' EMOLUMENTS

The five highest paid employees of the Group during the year included four (2000: three) directors, details of whose emoluments are set out in note 12 above. The emolument of the remaining employee (2000: two) is as follows:

	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000
Other emoluments	1,800	1,570

The remuneration of the employees falls within the following bands:

	Year ended 31/12/2001	Nine months ended 31/12/2000
	Number of employees	
Nil to HK\$1,000,000	—	2
HK\$1,500,001 to HK\$2,000,000	1	—
	1	2

14. TAXATION

The tax (charge)/credit comprises:

	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000
Hong Kong Profits Tax		
Current year/period	(1,395)	(2,400)
Over provision in prior years	1,481	153
	86	(2,247)
Share of tax on results of associates	—	—
	86	(2,247)

Provision for Hong Kong Profits Tax has been calculated at 16% (2000: 16%) of the estimated assessable profits for the year.

Details of unprovided deferred taxation are set out in note 40.

15. LOSS FOR THE YEAR/PERIOD

Of the Group's loss for the year of HK\$331,560,000 (2000: HK\$369,056,000), a loss of HK\$180,600,000 (2000: HK\$320,553,000) has been dealt with in the financial statements of the Company.

16. LOSS PER SHARE

The calculation of the loss per share is based on the loss for the year of HK\$331,560,000 (2000: HK\$369,056,000) and on the weighted average number of 19,713,631,608 shares (2000: 8,882,372,349 shares) in issue during the year. The weighted average number of shares in issue used in the basic loss per share calculation for the period ended 31 December 2000 has been adjusted to reflect the effect of the rights issue and share consolidation during that period.

No diluted loss per share is presented for the year ended 31 December 2001 and period ended 31 December 2000 as exercise of the Company's outstanding share options and conversion of the Company's outstanding convertible notes has an anti-dilutive effect.

17. INVESTMENT PROPERTIES

	The Group HK\$'000
At 1 January 2001	249,380
Acquisition of subsidiaries	14,963
Disposals	(21,000)
Deficit arising on revaluation	(25,343)
At 31 December 2001	218,000

The net book value of investment properties shown above comprises:

	2001 HK\$'000	2000 HK\$'000
Long term leasehold properties situated in Hong Kong	154,560	171,500
Medium term leasehold properties situated in		
— Hong Kong	36,800	46,100
— elsewhere in the People's Republic of China*	26,640	31,780
	218,000	249,380

* The investment properties situated in the People's Republic of China include an amount of HK\$440,000 (2000: HK\$4,780,000) in which the Group has not yet obtained the State Land Use Right Certificates and Certificate for Housing Ownership.

The Group's investment properties situated in Hong Kong and in the People's Republic of China were revalued at 31 December 2001 by a firm of independent professional valuers, Ricacorp Surveyors Limited, on an open market value existing use basis.

18. PROPERTY, PLANT AND EQUIPMENT

The Group

	Leasehold land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture and fixtures HK\$'000	Plant and machinery HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost						
At 1 January 2001	380,109	10,372	3,240	6,936	8,250	408,907
Acquisition of subsidiaries	15,514	—	6,200	—	862	22,576
Additions	—	—	641	723	3,615	4,979
Disposals	—	—	(3)	(9)	(3,143)	(3,155)
Reclassification to interest in an associate	—	(1,024)	(934)	(1,481)	(1,120)	(4,559)
At 31 December 2001	395,623	9,348	9,144	6,169	8,464	428,748
Depreciation and impairment						
At 1 January 2001	27,900	2,729	663	2,744	2,699	36,735
Acquisition of subsidiaries	1,881	—	4,519	—	517	6,917
Charge for the year	11,104	919	1,172	824	2,224	16,243
Impairment losses	115,000	—	—	—	—	115,000
Eliminated on disposals	—	—	—	(1)	(906)	(907)
Reclassification to interest in an associate	—	(168)	(132)	(478)	(373)	(1,151)
At 31 December 2001	155,885	3,480	6,222	3,089	4,161	172,837
Net book value						
At 31 December 2001	239,738	5,868	2,922	3,080	4,303	255,911
At 31 December 2000	352,209	7,643	2,577	4,192	5,551	372,172

The net book value of property, plant and equipment includes an amount of HK\$253,000 (2000: HK\$463,000) in respect of assets held under finance leases.

The net book value of properties comprises HK\$207,665,000 (2000: HK\$326,837,000) and HK\$32,073,000 (2000: HK\$25,372,000) in respect of long term leasehold properties and medium term leasehold properties situated in Hong Kong respectively.

19. INTANGIBLE ASSETS

	Goodwill	Negative goodwill	Others	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	<i>Note (i)</i>	<i>Note (i)</i>	<i>Notes (ii) and (iii)</i>	
Cost				
At 1 January 2001	348,092	—	6,000	354,092
Addition	—	—	1,600	1,600
Arising from increase in additional interest in a subsidiary	5,439	(4,159)	—	1,280
Reclassification to interest in an associate	(348,217)	—	—	(348,217)
At 31 December 2001	5,314	(4,159)	7,600	8,755
Amortisation and impairment				
At 1 January 2001	255,522	—	—	255,522
Amortisation for the year	11,390	—	649	12,039
Impairment loss	4,783	—	—	4,783
Release of negative goodwill	—	(208)	—	(208)
Reclassification to interest in an associate	(266,381)	—	—	(266,381)
At 31 December 2001	5,314	(208)	649	5,755
Net book value				
At 31 December 2001	—	(3,951)	6,951	3,000
At 31 December 2000	92,570	—	6,000	98,570

Notes:

- (i) Goodwill is amortised in accordance with note 3(b) to the financial statements. The negative goodwill is recognised in the income statement on a straight line basis over ten years.
- (ii) Others represent trading rights in The Stock Exchange of Hong Kong Limited ("SEHK") and The Hong Kong Futures Exchange Limited ("HKFE") which are amortised over the following periods:
- | | |
|-----------------------------|--|
| Trading rights in the SEHK: | Remaining useful life of 111 months commencing from 1 January 2001 |
| Trading right in HKFE: | Ten years |
- (iii) No amortisation for the year has been provided on the trading right on the HKFE as it is acquired near the balance sheet date.

20. INTERESTS IN SUBSIDIARIES

	The Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	399,637	639,637
Amounts due from subsidiaries	3,490,280	3,055,178
	3,889,917	3,694,815
Less: Impairment losses	(399,636)	(570,636)
Provision for doubtful debts	(2,067,128)	(1,985,292)
	1,423,153	1,138,887

Included in amounts due from subsidiaries are amounts of approximately HK\$484,000,000 (2000: HK\$99,265,000) which bear interest rates ranging from Hong Kong prime rate per annum to Hong Kong prime rate plus 2% per annum or at average rate of 11% per annum. These amounts are unsecured and have no fixed repayment terms. The remaining amounts due from subsidiaries are interest-free.

The following table lists the Company's subsidiaries at 31 December 2001 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 other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Name of subsidiary	Place of incorporation and operations	Issued share capital (Note)	Percentage of equity interest held by		Principal activities
			Company %	Subsidiary %	
Action Plus Investments Limited	British Virgin Islands	US\$1	—	100	Investment holding
Bestford Properties Limited	Hong Kong	HK\$2	—	100	Property holding
Bestford Development Limited	Hong Kong	HK\$2	—	100	Property investment
Best Million Limited	British Virgin Islands	US\$50,000	—	100	Investment holding
Bonus Profit Group Limited	British Virgin Islands	US\$1	—	100	Investment holding
Butterville Associates Limited	British Virgin Islands	US\$1	—	100	Investment holding

20. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and operations	Issued share capital (Note)	Percentage of equity interest held by		Principal activities
			Company %	Subsidiary %	
China United Finance Limited	Hong Kong	HK\$75,000,002	—	100	Money lending
China United Financial Services Limited	Hong Kong	HK\$2	100	—	Investment holding
China United Securities Services Limited	British Virgin Islands	US\$50,000	—	100	Investment holding
Chung Nam Commodities Limited	Hong Kong	HK\$12,000,000	—	100	Commodities dealer
Chung Nam Finance Limited	Hong Kong	HK\$10,000,000	—	100	Securities financing and money lending
Chung Nam Holdings Limited	Hong Kong	HK\$17,200,000	—	100	Investment holding
Chung Nam Nominees Limited	Hong Kong	HK\$10,000	—	100	Nominees
Chung Nam Securities Limited	Hong Kong	HK\$115,000,000	—	100	Securities brokerage and financial services
Cepora Inc.	British Virgin Islands	US\$100	—	100	Investment holding
Colias Inc.	British Virgin Islands	US\$100	—	100	Securities investment
Cliffview Profits Limited	British Virgin Islands	US\$1	—	100	Investment holding
CU Corporate Finance Limited	Hong Kong	HK\$10,000,000	—	100	Investment adviser
CU Investment Management Limited	Hong Kong	HK\$1,000,000	—	100	Investment adviser
CU Investments (Holdings) Limited	Hong Kong	Ordinary shares of HK\$2 Non-voting shares of HK\$2	—	100	Investment holding

20. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and operations	Issued share capital (Note)	Percentage of equity interest held by		Principal activities
			Company %	Subsidiary %	
CU Nominee Limited	Hong Kong	HK\$2	—	100	Nominees
Cuve Asset Management Limited	British Virgin Islands	US\$26,000	—	100	Investment holding
East Champion Limited	Hong Kong	HK\$2	—	100	Property investment
Embrace Assets Limited	British Virgin Islands	US\$1	—	100	Investment holding
E-Garden Properties Limited	British Virgin Islands	US\$1	—	100	Investment holding
Fei Wang Incorporated	British Virgin Islands	US\$1	—	100	Investment holding
First Asia (China) Limited	Hong Kong	HK\$41,942,945	100	—	Investment holding
First Asia Financial Services Limited	Hong Kong	HK\$5,000,000	—	100	Property investment
First Asia Investments Limited	Cayman Islands	US\$2	100	—	Investment holding
First Asia Properties Limited	British Virgin Islands/ Hong Kong	US\$2	—	100	Investment holding
Great Gains International Limited	Hong Kong	HK\$100	—	100	Property investment
Greatly Fareast Limited	Hong Kong	HK\$2	—	100	Property investment
Golden Clip Limited	British Virgin Islands	US\$1	—	100	Investment holding
Hennabun Capital Management Inc.	British Virgin Islands	US\$1	—	100	Investment holding and securities investment
Hennabun Investments Limited	British Virgin Islands	US\$1	—	100	Investment holding

20. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and operations	Issued share capital (Note)	Percentage of equity interest held by		Principal activities
			Company %	Subsidiary %	
Hennabun Management Inc.	British Virgin Islands	US\$5,813,333	—	81.08	Investment holding
International Stamps & Coins Exchange Gallery Limited	Hong Kong	HK\$20,200	—	100	Property investment
Kam Kwong Company Limited	Hong Kong	HK\$19,050,000	—	100	Securities brokerage and financial services
Kam Kwong Investments Limited	Hong Kong	HK\$10,000	—	100	Investment holding
Kingarm Company Limited	Hong Kong/ People's Republic of China	HK\$2	—	100	Property investment
Large Investments Limited	British Virgin Islands	US\$1	—	100	Investment holding
Lockrealm Holdings Limited	British Virgin Islands	US\$1	—	100	Investment holding
Long Bloom Enterprises Limited	Hong Kong	HK\$5,300,000	—	100	Provision of administrative service
Million Regal Investment Limited	Hong Kong	HK\$1,000	—	100	Property investment
Pacific Kingdom Investments Limited	Hong Kong	HK\$2	—	100	Property investment
Quali-Trade Investments Limited	British Virgin Islands	US\$4,980,000	—	100	Investment holding
Radford Portfolio Management Limited	Hong Kong	HK\$10,000	—	100	Property holding

20. INTERESTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation and operations	Issued share capital (Note)	Percentage of equity interest held by		Principal activities
			Company %	Subsidiary %	
Righteam Limited	Hong Kong	HK\$2	100	—	Corporate services
Ronford Properties Limited	Hong Kong	HK\$2	—	100	Property investment
Selway Limited	Hong Kong	HK\$2	—	100	Property investment
Simply Best Limited	British Virgin Islands	US\$1	—	100	Investment holding
Sky Coast Holdings Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Investment holding
Sun Year Enterprises Limited	Hong Kong/ People's Republic of China	HK\$2	—	100	Property investment
Ultimate United Developments Limited	British Virgin Islands	US\$1	100	—	Investment holding
Wellhand Limited	Hong Kong	HK\$2	—	100	Property investment
Winners Assets Limited	British Virgin Islands	US\$1	—	100	Investment holding
Winport Limited	British Virgin Islands	US\$1	—	100	Investment holding
Winning Point Limited	British Virgin Islands	US\$1	—	100	Securities investment

Note:

Unless otherwise specified, all shares are ordinary shares.

No loan capital has been issued by any of the subsidiaries.

21. INTERESTS IN ASSOCIATES

	The Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	1,733	11,800
Goodwill arising on acquisition of associates (<i>Note iii</i>)	—	11,861
Less: Amortisation	—	(1,672)
Impairment losses	—	(10,189)
	—	—
Amounts due from associates (<i>Note ii</i>)	64,573	75,971
Less: Provision for doubtful debts	(44,021)	(37,419)
	20,552	38,552
	22,285	50,352

Details of the associates at 31 December 2001 are as follows:

Name of associate	Form of business structure	Place of incorporation and operations	Class of shares held	Percentage of equity interest held by the Group	Principal activities
Bai Hui Group Company Limited	Incorporated	Hong Kong	Ordinary	30%	Investment holding
Bai Hui Real Estate Company Limited	Incorporated	Hong Kong/ People's Republic of China	Ordinary	34%	Investment holding and property management
Pure Fair Investment Limited	Incorporated	Hong Kong	Ordinary	45%	Property investment
Weitang International Limited	Incorporated	British Virgin Islands	Ordinary	35.77%	Investment holding
Wise Decision Investments Limited	Incorporated	British Virgin Islands	Ordinary	45%	Investment holding

21. INTERESTS IN ASSOCIATES (Continued)

Notes:

- (i) The audited financial statements of a major associate holding certain interest in a property project in the PRC are not available. Accordingly, its operating results, assets and liabilities have not been shown. The Group's interest in this associate amounted to approximately HK\$22 million (2000: HK\$46 million) at the balance sheet date.
- (ii) During the year, the Group has agreed with a lender whereby certain properties to be distributed by an associate to the Group for repayment of its shareholder's loan made to the associate will be assigned to the lender for settlement of part of the loan granted to the Group at a total agreed amount of approximately HK\$21 million ("Agreed Amount"). The Group will compensate the lender if the total net proceeds received from sales of the properties (after deduction of half of the excess of sale proceeds over respective agreed amounts of the properties payable to the Group) is less than the Agreed Amount. At the balance sheet date, the transfer of the titles of ownership of the properties to the Group is in progress.
- (iii) The goodwill and related amortisation and impairment losses have been eliminated upon disposal of the relevant associates.

22. INVESTMENTS IN SECURITIES**The Group**

	Other securities (Non-current investments)		Trading securities (Current investments)	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equity				
Listed investments	—	23,960	56,458	147,097
Unlisted investments	3,899	146,415	—	—
Unlisted investment fund	40,447	35,539	—	—
Impairment loss	—	(101,716)	—	—
	44,346	104,198	56,458	147,097
Unlisted debt securities	3,899	3,899	—	—
	48,245	108,097	56,458	147,097
Equity securities at market value listed				
— in Hong Kong	—	23,960	55,882	144,761
— overseas	—	—	576	2,336
	—	23,960	56,458	147,097

22. INVESTMENTS IN SECURITIES (Continued)**The Company**

	Other securities (Non-current investments)		Trading securities (Current investments)	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Equity				
Listed investments	—	23,960	25,656	73,477
Equity securities at market value listed				
— in Hong Kong	—	23,960	25,261	71,141
— overseas	—	—	395	2,336
	—	23,960	25,656	73,477

Included in other securities as at 31 December 2001 is the following investee company.

Name of investee company	Place of incorporation	Class of shares held	Attributable equity interest held by the Group
Ronin Capital Management LLC	U.S.A.	Paid up capital	25%

23. OTHER LONG TERM ASSETS

	The Group	
	2001 HK\$'000	2000 HK\$'000
Deposits with HKFE		
Clearing Corporation Limited	1,500	—
Fidelity Fund	100	—
Deposits with The Stock Exchange of Hong Kong Limited	276	276
Contribution to Central Clearing and Settlement System Guarantee Fund	94	114
Admission fee paid to Hong Kong Securities Clearing Company Limited	100	100
	2,070	490

24. LOANS AND OTHER LOAN RECEIVABLE

	Notes	The Group	
		2001 HK\$'000	2000 HK\$'000
Loans receivable due after one year	(i)	20,344	200
Other loan receivable	(ii)	—	2,000
		20,344	2,200

Notes:

- (i) The balance includes loans of HK\$893,000 (2000: HK\$200,000) due after one year granted by a subsidiary engaging in money lending to directors of the Company as detailed in note 41(b).
- (ii) The amount was secured by a property, carried interest at 4% per annum and should be fully repayable on 5 July 2002. The amount was, however, fully settled in December 2001.

25. LOANS RECEIVABLE

Loans granted to borrowers are repayable by instalments or according to set maturity dates. An aging analysis of loan balances as at the balance sheet date is set out below:

	2001 HK\$'000	2000 HK\$'000
Within maturity dates	260,811	134,780
Balance over due for repayment		
— 1 – 3 months	197,456	87,234
— 4 – 6 months	1,970	—
— 7 – 12 months	17,439	—
Over 12 months	21,350	791
	499,026	222,805
Provision for bad and doubtful debts	(128,687)	(20,791)
Loans due after one year included in non-current assets	(20,344)	(200)
	349,995	201,814

26. TRADE AND OTHER RECEIVABLES

The Group maintains a credit policy. The trade and other receivables include trade receivables of HK\$184,067,000 (2000: HK\$48,873,000).

The aged analysis of trade receivables (after provision for bad and doubtful debts) as at the balance sheet date is as follows:

	2001 HK\$'000	2000 HK\$'000
Current	184,067	48,685
— 1 - 3 months	—	128
— 4 - 6 months	—	—
— 7 - 12 months	—	—
Over 12 months	—	60
	184,067	48,873

27. TRADE AND OTHER PAYABLES

- (a) The trade and other payables include trade payables of HK\$6,394,000 (2000: HK\$8,363,000), all of which are current.
- (b) Included in trade and other payables as at 31 December 2000 was a sale deposit of HK\$33,000,000 received by the Group pursuant to an agreement dated 4 August 2000 for the disposal of its entire equity interest and shareholder's loan in a wholly-owned subsidiary principally engaging in property investment. The disposal had not been completed on the scheduled completion date of 5 February 2001. The directors consider that the non-completion of the disposal was a breach of the agreement by the purchaser. Accordingly, the sale deposit has been forfeited and recognised as income during the year.

28. CONVERTIBLE NOTES

	Notes	The Group		The Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Notes issued by the Company	(i)	63,840	—	63,840	—
Note issued by a subsidiary	(ii)	—	53,000	—	—
		63,840	53,000	63,840	—
Less: Note matures within one year included in current liabilities		—	(53,000)	—	—
		63,840	—	63,840	—

Notes:

- (i) On 5 July 2001, the Company issued convertible notes (the "Notes") with a total principal amount of HK\$75,600,000 to certain third parties. The Notes, which will mature three years from the date of issue, bear interest at 7.5% per annum and can be converted into shares of the Company in the amounts or integral multiples of HK\$168,000 at any time from the date of issue of the Notes up to 14 days before (and excluding) the maturity date. The conversion price, subject to adjustment, is as follows:

Conversion price	Period
HK\$0.01	5 July 2001 to 4 July 2002
HK\$0.012	5 July 2002 to 4 July 2003
HK\$0.014	5 July 2003 to 21 June 2004

The Company may redeem in whole or in part the Notes in denominations of HK\$168,000 at 105% of the outstanding principal amount of the Notes from the date of issue of the Notes until a date 14 days prior to (and excluding) the maturity date together with all accrued interest thereon. No Notes were redeemed by the Company during the year.

During the year, Notes with an aggregate principal amount of HK\$11,760,000 were converted into 1,176,000,000 shares of HK\$0.01 each of the Company at a conversion price of HK\$0.01 each.

- (ii) On 23 October 2000, the Group issued, through a non wholly-owned subsidiary, a convertible note (the "Note") with a principal sum of HK\$53,000,000. The Note is guaranteed by the Company and bears interest at 7.5% per annum. The noteholder has the right, at any time from the date of issue up to the first anniversary date of issue of the Note, to convert the whole or any part of the principal amount of the Note (in amounts not less than HK\$5,000,000) into equity shares of the subsidiary with a nominal value of HK\$0.01 each at an initial conversion price, subject to adjustment in certain events, of HK\$0.8 per share.

Unless previously purchased and cancelled, redeemed or converted, the principal sum of the Note is due for redemption on the first anniversary date of issue of the Note. No conversion right was exercised during the year.

The aforesaid subsidiary has been reclassified as an associate and disposed of during the year.

29. OBLIGATIONS UNDER FINANCE LEASES

The amount of obligations payable under finance leases is as follows:

	The Group			
	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	176	185	127	136
More than one year, but not exceeding two years	176	185	127	136
More than two years, but not exceeding five years	67	288	47	219
	419	658	301	491
Less: Future finance charges	(118)	(167)		
Present value of finance lease obligations	301	491		
Less: Amount due within one year shown under current liabilities			(127)	(136)
Amount due after one year			174	355

30. BANK AND OTHER BORROWINGS

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans and overdrafts:				
Secured	365,032	257,343	121,612	128,430
Unsecured	18,609	89,644	18,609	19,418
	383,641	346,987	140,221	147,848
Other loans:				
Secured	81,420	127,358	—	—
Unsecured	165,401	119,401	87,401	7,401
	246,821	246,759	87,401	7,401
	630,462	593,746	227,622	155,249

30. BANK AND OTHER BORROWINGS (Continued)

The bank and other borrowings are repayable as follows:

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	356,795	270,013	112,990	14,995
More than one year, but not exceeding two years	52,740	58,941	25,521	25,503
More than two years, but not exceeding five years	153,615	160,483	71,289	73,166
More than five years	67,312	104,309	17,822	41,585
	630,462	593,746	227,622	155,249
Less: Amount due within one year included in current liabilities*	(356,795)	(270,013)	(112,990)	(14,995)
Amount due after one year	273,667	323,733	114,632	140,254

Other loans bear interest at prevailing market rates.

The repayment of a bank loan of HK\$78,892,000 has been rescheduled and agreed by a bank subsequent to the balance sheet date. Accordingly, the above repayment schedule as at 31 December 2001 is presented based on the revised repayment schedule of the bank loan.

* Included in HK\$356,795,000 as at 31 December 2001 were instalment amounts of HK\$16,415,000 which were originally not due for repayment within one year. As event of default had arisen under the loan agreement, the loan had become repayable on demand and the relevant loan had been classified as a current liability. The Group is negotiating with the bank for rescheduling the repayment schedule.

31. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares	Nominal value HK\$'000
Authorised:			
Share of HK\$0.02 each at 1 April 2000		100,000,000,000	2,000,000
Subdivision of authorised share capital from 100,000,000,000 shares of HK\$0.02 each to 200,000,000,000 shares of HK\$0.01 each in June 2000	(ii)	100,000,000,000	—
		200,000,000,000	2,000,000
Subdivision of authorised share capital from 200,000,000,000 shares of HK\$0.01 each to 1,000,000,000,000 shares of HK\$0.002 each in August 2000	(iii)	800,000,000,000	—
		1,000,000,000,000	2,000,000
Consolidation of authorised share capital of every five shares of HK\$0.002 each into one share of HK\$0.01 each in August 2000	(iii)	(800,000,000,000)	—
Shares of HK\$0.01 each at 31 December 2000 and at 31 December 2001		200,000,000,000	2,000,000
Issued and fully paid:			
Share of HK\$0.02 each at 1 April 2000		15,595,107,704	311,902
Rights issue in May 2000	(i)	31,190,215,408	623,804
		46,785,323,112	935,706
Reduction of nominal value of issued shares from HK\$0.02 each to HK\$0.01 each in June 2000	(ii)	—	(467,853)
		46,785,323,112	467,853
Reduction of nominal value of issued shares from HK\$0.01 each to HK\$0.002 each and consolidation of every five shares of HK\$0.002 each into one share of HK\$0.01 each in August 2000	(iii)	(37,428,258,490)	(374,283)
		9,357,064,622	93,570

31. SHARE CAPITAL (Continued)

	<i>Notes</i>	Number of ordinary shares	Nominal value HK\$'000
Shares of HK\$0.01 each			
Exercise of share options		616,830,000	6,169
Shares of HK\$0.01 each at 31 December 2000 and at 1 January 2001		9,973,894,622	99,739
New share placements to private and institutional investors	(iv)	15,611,500,000	156,115
Exercise of share options	(v)	1,163,000,000	11,630
Conversion of convertible notes into shares	28(a)	1,176,000,000	11,760
Shares of HK\$0.01 each at 31 December 2001		27,924,394,622	279,244

Notes:

- (i) In May 2000, the Company issued 31,190,215,408 rights shares of HK\$0.02 each at a subscription price of HK\$0.02 per rights share in the proportion of two rights shares for every one existing share then held by qualifying shareholders. The net proceeds were applied for repaying indebtedness, investing in internet and internet related business, making further investments and for working capital.
- (ii) In June 2000, the Company adjusted the nominal value of all the ordinary shares of HK\$0.02 each in the Company by reducing the nominal value of all of the issued shares from HK\$0.02 each to HK\$0.01 each by cancelling HK\$0.01 of the paid up capital of each issued share by way of a reduction of share capital amounting to HK\$467,853,000 in accordance with Section 46 of the Companies Act 1981 of Bermuda and by subdividing every unissued shares from HK\$0.02 each into two unissued shares of HK\$0.01 each. As a result, the authorised share capital of the Company was changed from 100,000,000,000 shares of HK\$0.02 each into 200,000,000,000 shares of HK\$0.01 each.
- (iii) In August 2000, the nominal value of all the issued shares was further reduced from HK\$0.01 each to HK\$0.002 each by cancelling HK\$0.008 of the paid up capital of each issued share by way of a reduction of share capital amounting to HK\$374,283,000 in accordance with Section 46 of the Companies Act 1981 of Bermuda and every five adjusted issued and unissued shares of HK\$0.002 each were consolidated into one consolidated share of HK\$0.01 each.

31. SHARE CAPITAL (Continued)

- (iv) During the year ended 31 December 2001, the Company made the following share placements to private and institutional investors at the following subscription prices for ordinary shares of HK\$0.01 each in the Company.

Date of allotment	Number of shares allotted	Subscription price	Total proceeds
		per share HK\$	HK\$'000
2 January 2001	1,994,000,000	0.017	33,898
21 February 2001	2,393,500,000	0.014	33,509
28 May 2001	2,960,000,000	0.01	29,600
10 August 2001	3,610,000,000	0.01	36,100
21 September 2001	4,654,000,000	0.01	46,540
	15,611,500,000		179,647

The net proceeds from placement of shares have been used as working capital of the Group, utilised to repay its borrowings and to partly finance subscription for the new shares issued by a non wholly-owned subsidiary.

- (v) During the year, 1,163,000,000 share options were granted at nominal consideration with the exercise price of the share options ranging from HK\$0.01 to HK\$0.01104 per share and had been fully exercised. At 31 December 2001 and 31 December 2000, outstanding share options to subscribe for the Company's ordinary shares are as follows:

Number of share options outstanding	Exercise price	Exercise period
	per share HK\$	
6,000,000	1.693	9 October 1997 - 8 October 2007
2,400,000	0.02048	25 August 2000 - 24 August 2010
8,400,000		

All new shares issued as a result of rights issue, share placements, exercise of share options and conversion of convertible notes rank pari passu with the then existing shares in all respects.

32. RESERVES

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Special reserve HK\$'000	Investment Capital reserve HK\$'000	Investment revaluation deficit HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
The Group								
At 1 April 2000	1,552,934	99	33,455	11,131	—	—	(1,591,498)	6,121
Issue of new shares, net of expenses	(9,588)	—	—	—	—	—	—	(9,588)
Deficit on revaluation of other securities	—	—	—	—	(33,921)	—	—	(33,921)
Premium paid by a subsidiary for repurchase of its shares	—	—	—	(3,726)	—	—	—	(3,726)
Arising from cancellation and reduction of share capital	—	—	—	—	—	842,136	—	842,136
Arising from acquisition of interest in a subsidiary	—	—	—	11,149	—	—	—	11,149
Arising from subscription of new shares in a subsidiary	—	—	—	776	—	—	—	776
Loss for the period	—	—	—	—	—	—	(369,056)	(369,056)
At 31 December 2000 and at 1 January 2001	1,543,346	99	33,455	19,330	(33,921)	842,136	(1,960,554)	443,891
Issue of new shares, net of expenses	23,008	—	—	—	—	—	—	23,008
Realised on disposal of other securities	—	—	—	—	9,627	—	—	9,627
Surplus on revaluation of other securities	—	—	—	—	4,144	—	—	4,144
Loss for the year	—	—	—	—	—	—	(331,560)	(331,560)
At 31 December 2001	1,566,354	99	33,455	19,330	(20,150)	842,136	(2,292,114)	149,110
Attributable to:								
The Company and subsidiaries	1,566,354	99	33,455	19,330	(20,150)	842,136	(2,245,886)	195,338
Associates	—	—	—	—	—	—	(46,228)	(46,228)
At 31 December 2001	1,566,354	99	33,455	19,330	(20,150)	842,136	(2,292,114)	149,110
Attributable to:								
The Company and subsidiaries	1,543,346	99	33,455	19,330	(33,921)	842,136	(1,918,792)	485,653
Associates	—	—	—	—	—	—	(41,762)	(41,762)
At 31 December 2000	1,543,346	99	33,455	19,330	(33,921)	842,136	(1,960,554)	443,891

32. RESERVES (Continued)

	Share premium account HK\$'000	Capital redemption reserve HK\$'000	Investment revaluation deficit HK\$'000	Contributed surplus HK\$'000	Deficit HK\$'000	Total HK\$'000
The Company						
At 1 January 2001	1,552,934	99	—	391,148	(2,184,563)	(240,382)
Issue of new shares, net of expenses	(9,588)	—	—	—	—	(9,588)
Arising from cancellation and reduction of share capital	—	—	—	842,136	—	842,136
Deficit on revaluation of other securities	—	—	(9,627)	—	—	(9,627)
Loss for the period	—	—	—	—	(320,553)	(320,553)
At 31 December 2000 and at 1 January 2001	1,543,346	99	(9,627)	1,233,284	(2,505,116)	261,986
Issue of new shares, net of expenses	23,008	—	—	—	—	23,008
Realised on disposal of other securities	—	—	9,627	—	—	9,627
Loss for the year	—	—	—	—	(180,600)	(180,600)
At 31 December 2001	1,566,354	99	—	1,233,284	(2,685,716)	114,021

The special reserve represents the difference between the nominal value of the shares of the acquired subsidiaries and the nominal value of the Company's share issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1989.

The contributed surplus to the extent of HK\$391,148,000 represents the difference between the consolidated net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1989. The remaining balance of HK\$842,136,000 is transferred from share capital pursuant to the capital reduction made during the period ended 31 December 2000.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of the contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

At the balance sheet date, the Company has no reserves available for distribution to the shareholders.

33. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000
Loss before taxation	(354,996)	(594,914)
Share of results of associates	7,353	(1,076)
Bank interest income	(1,346)	(5,248)
Net deficit arising on revaluation of investment properties	25,343	14,760
Depreciation and amortisation expenses	28,282	38,889
Release of negative goodwill to income	(208)	—
Net unrealised (gain)/loss on trading securities	(4,295)	125,173
Interest income on other loan receivable	(75)	(60)
Interest on convertible notes	4,489	664
Interest on obligations under finance leases	49	37
Interest expense on bank and other borrowings	44,876	41,397
Net provision for bad and doubtful debts	112,888	46,166
Provision for amount due from an associate	6,602	3,000
Loss on disposal of trading securities in exchange for subsidiaries	26,868	—
Loss on disposals of property, plant and equipment	650	1,766
Loss on disposals of investment properties	2,520	—
Loss on disposal of other securities	21,619	—
Forfeiture of sale deposit received from disposal of interest in a subsidiary	(33,000)	—
Net gain on dilution of interest in a subsidiary	(1,269)	(13,118)
Net gain on disposals of interests in associates	(103)	(2,643)
Impairment losses of:		
— property, plant and equipment	115,000	—
— goodwill on consolidation of subsidiaries	4,783	229,000
— interest in an associate	5,479	—
— goodwill on acquisition of associates	—	10,189
— other securities	—	101,716
Increase in loans receivable	(276,221)	(131,632)
(Increase)/decrease in trade and other receivables	(139,966)	26,208
Decrease/(increase) in trading securities	18,614	(95,676)
Increase/(decrease) in trade and other payables	24,195	(92,728)
(Decrease)/increase in amounts due to minority shareholders	(1,185)	4,134
Decrease in amount due to an associate	(57,542)	—
Net cash outflow from operating activities	(420,596)	(293,996)

34. PURCHASE OF INTERESTS IN SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Investment properties	14,963	—
Property, plant and equipment	15,659	29,808
Interests in associates	—	13,445
Intangible assets	—	6,000
Trade and other receivables	938	105,965
Loans receivable	—	39,435
Trading securities	—	134,374
Bank balances and cash	271	108,110
Bank overdraft	—	(885)
Trade and other payables	(1,400)	(71,167)
Other short term loans	—	(190,000)
Provision for taxation	—	(2,330)
Minority interests	—	(58,340)
	30,431	114,415
Capital reserve on acquisition	—	(11,149)
Goodwill on acquisition	—	266,906
	30,431	370,172
Satisfied by:		
Trading securities	57,299	—
Cash consideration	—	334,733
Reclassified from interest in an associate	—	35,439
	57,299	370,172
Loss on disposal of trading securities	(26,868)	—
Total consideration	30,431	370,172

34. PURCHASE OF INTERESTS IN SUBSIDIARIES *(Continued)*

Analysis of the net inflow/(outflow) of cash and cash equivalents in respect of the purchase of interests in subsidiaries:

	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000
Cash consideration	—	(334,733)
Cash and bank balances acquired	271	108,110
Bank overdraft acquired	—	(885)
Other loans with maturity within three months acquired	—	(160,000)
Net inflow/(outflow) of cash and cash equivalents in respect of the purchase of interests in subsidiaries	271	(387,508)

The subsidiaries acquired during the year did not have significant contribution to the Group's turnover, results and cash flows of the year.

The subsidiaries purchased during the period ended 31 December 2000 contributed HK\$123,851,000 to the Group's turnover, a loss of HK\$341,990,000 to the Group's operating results and net operating cash outflow of HK\$111,301,000, utilised a net cash outflow of HK\$26,869,000 in respect of investing activities and funds of HK\$21,405,000 for financing activities.

35. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR/PERIOD

	Share capital (including premium) HK\$'000	Bank loans and other loans HK\$'000	Convertible notes HK\$'000	Obligations under finance leases HK\$'000
Balance at 1 April 2000	1,864,836	554,905	—	523
Acquisition of subsidiaries	—	190,000	—	—
Issue of shares for cash	634,402	—	—	—
Reduction of share capital	(842,136)	—	—	—
Expenses incurred on issue of shares	(14,017)	—	—	—
Issue of convertible note	—	—	53,000	—
New loans obtained	—	123,446	—	—
Repayment of loans and obligations under finance leases	—	(214,142)	—	(96)
Inception of a finance leases	—	—	—	64
Decrease in other loans with maturity within three months	—	(63,000)	—	—
Balance at 31 December 2000 and at 1 January 2001	1,643,085	591,209	53,000	491
Issue of shares for cash	191,734	—	—	—
Expenses incurred on issue of shares	(981)	—	—	—
Issue of convertible notes	—	—	75,600	—
Conversion of convertible notes into shares	11,760	—	(11,760)	—
New loans obtained	—	134,008	—	—
Repayment of loans and obligations under finance leases	—	(74,951)	—	(190)
Repayment of shareholder's loan by an associate assigned to set off other loan	—	(11,398)	—	—
Decrease in other loans with maturity within three months	—	(19,000)	—	—
Elimination on reclassification of a subsidiary as an associate	—	(32,008)	(53,000)	—
Balance at 31 December 2001	1,845,598	587,860	63,840	301

36. MAJOR NON-CASH TRANSACTIONS

- (a) During the year, the Company had acquired certain subsidiaries at a consideration of HK\$30,431,000 which was satisfied by transfer of the Group's trading securities at the then carrying value of HK\$57,299,000 to the vendor. This resulted in a loss on disposal of trading securities of HK\$26,868,000.
- (b) During the year, a subsidiary had been reclassified as an associate as the Group no longer had control over the subsidiary. In this connection, the then assets and liabilities of the subsidiary as detailed below had been reclassified to interest in an associate.

	2001 HK\$'000	2000 HK\$'000
Net assets:		
Property, plant and equipment	3,408	—
Goodwill	81,836	—
Investment in securities	33,000	—
Trade and other receivables	7,891	—
Trading securities	19,021	—
Bank balances and cash	11,447	—
Trade and other payables	(26,287)	—
Other loans	(32,008)	—
Convertible note	(53,000)	—
Provision for taxation	(100)	—
Amounts due to minority shareholders	(2,949)	—
Minority interests	(48,197)	—
Amounts due from the Group	57,542	—
	51,604	—

- (c) During the year, the repayment of shareholder's loan by an associate to the Group had been assigned to a lender to set off against other loan to the extent of HK\$11,398,000.
- (d) During the year, the deposit of HK\$33,000,000 for disposal of a subsidiary received by the Group in prior period had been forfeited and recognised as income of the year.
- (e) During the year, convertible notes issued by the Company with principal amount of HK\$11,760,000 were converted into 1,176,000,000 shares of HK\$0.01 each of the Company at a conversion price of HK\$0.01 each.

37. COMMITMENTS

(a) Capital commitments

Capital commitments contracted for but not provided in the financial statements in respect of the following:

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Capital injection to an associate	4,680	4,680
Acquisition of Hong Kong Futures Exchange trading right	—	1,120
Acquisition of property, plant and equipment	—	1,630
	4,680	7,430

(b) Operating lease commitments

Minimum lease payments paid under operating leases during the year are as follows:

	Year ended	Nine months
	31/12/2001	ended
	HK\$'000	31/12/2000
		HK\$'000
Office premises	1,145	802
Equipment	26	26
	1,171	828

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

	2001	2000
	HK\$'000	HK\$'000
Within one year	182	928
In the second to fifth year inclusive	196	1,425
	378	2,353

At the balance sheet date, the Company had no operating lease commitments.

38. CONTINGENT LIABILITIES

At the balance sheet date, the Company had given corporate guarantees to banks and financial institutions in respect of credit facilities utilised by subsidiaries to the extent of HK\$250,544,000 (2000:HK\$362,270,000).

The Company had given a guarantee to a third party to the extent of HK\$53 million in respect of a convertible note of HK\$53 million issued by a former subsidiary. As at 31 December 2001, as no conversion right was exercised, the whole principal sum was due for redemption. The former subsidiary is negotiating with the noteholder for extending the maturity date of the convertible note and the Company is negotiating with relevant parties for releasing the guarantee. In addition, the Company had executed a guarantee for the due observance and performance of the former subsidiary under a shareholders' agreement entered into among the Company, the former subsidiary and other third parties.

39. PLEDGE OF ASSETS

At the balance sheet date, certain assets of the Group with the following net book values have been pledged to banks and other financial institutions to secure credit facilities granted to the Group:

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Land and buildings	239,738	352,085
Investment properties	191,360	209,300
Bank deposits	15,254	15,072
	446,352	576,457

At the balance sheet date, the entire issued share capital of a subsidiary of the Company, Million Regal Investment Limited, was pledged to a financial institution to secure loan facility of HK\$25 million (2000: HK\$25 million) granted to the subsidiary.

The Group's interests in two associates, Bai Hui Group Company Limited and Bai Hui Real Estate Company Limited, together with the shareholders' loans of approximately HK\$21 million (2000: HK\$38 million) were pledged to secure a loan and interest repayments of HK\$65 million (2000: HK\$95 million) payable to a third party.

40. UNPROVIDED DEFERRED TAXATION

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

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences attributable to:				
Excess of tax allowances over depreciation	(9,155)	(5,948)	—	—
General provisions	24,576	6,729	—	—
Taxation losses	113,622	105,655	10,544	5,259
	129,043	106,436	10,544	5,259

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

	The Group		The Company	
	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000	Year ended 31/12/2001 HK\$'000	Nine months ended 31/12/2000 HK\$'000
Tax effect of timing differences attributable to:				
Excess of tax allowances over depreciation	(3,207)	(4,943)	—	—
General provisions	17,847	5,460	—	—
Tax losses				
— current year/period	5,815	25,281	5,679	1,816
— under/(over) stated in prior years	4,863	13,554	(394)	(9,321)
Acquisition of subsidiaries	945	1,063	—	—
Eliminated on reclassification of a subsidiary as an associate	(3,656)	—	—	—
	22,607	40,415	5,285	(7,505)

40. UNPROVIDED DEFERRED TAXATION(Continued)

A deferred tax asset in respect of tax losses available to set off future taxable profits has not been recognised in the financial statements as it is uncertain whether the tax benefit will be crystallised in the foreseeable future.

Deferred tax has not been provided in respect of the revaluation deficit arising on the revaluation of investment properties and other securities as losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the revaluation does not constitute a timing difference for tax purposes.

41. RELATED PARTY TRANSACTIONS

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

- (a) A property of the Group with net book value of HK\$18,794,000 (31/12/2000: HK\$24,720,000) is occupied by the brother of a director of the Company rent free. The director's brother is a director of certain non-wholly owned subsidiaries of the Company.
- (b) The Group has granted unsecured loans to two executive directors of the Company as follows:

Name of director	Balance at 31/12/2001 HK\$'000	Balance at 01/01/2001 HK\$'000	Maximum amount outstanding during the year HK\$'000	Maturity	Interest rate per annum
Mr. Chung, Wilson	1,086	1,000	1,115	Extended from 10 October 2001 to 25 October 2006	Prime rate+2.5%
Mr. Wong Siu Bun	398	270	398	Repayable on demand	9.5% -11.5%
Mr. Wong Siu Bun	72	200	200	29 June 2002	15%
	<u>1,556</u>	<u>1,470</u>			

There was neither any interest due but unpaid nor any provision made against these loans at 31 December 2001.

- (c) The Group has granted unsecured short term loans and secured advances to a director of certain non wholly-owned subsidiaries who had resigned during the year. The loans carried interest at 12% to 15% per annum or at prime rate plus 5% per annum. The advances carried interest at prime rate plus 3% to 24% per annum. At the date of resignation of the director, the outstanding loans and advances amounted to approximately HK\$46.9 million and HK\$22.6 million respectively. Interest income received and receivable from the director up to that date amounted to HK\$702,000.

41. RELATED PARTY TRANSACTIONS *(Continued)*

- (d) The banking facilities of a non wholly-owned subsidiary to the extent of HK\$40,000,000 were guaranteed by a director of certain non wholly-owned subsidiaries.
- (e) The Group has obtained a short term loan of HK\$80,000,000 from a subsidiary of minority shareholder. The loan was unsecured and carried interest at 9% per annum. The interest paid on the loan amounted to HK\$2,037,000 in respect of the year.
- (f) The Group has granted securities margin loans to a substantial shareholder and certain directors of the Company. At the balance sheet date, the loans amounted to HK\$26,811,000 and HK\$2,077,000 respectively which carried interest at prime rate plus 3% per annum.

42. POST BALANCE SHEET EVENT

In February 2002, a non wholly-owned subsidiary, HMI, subscribed for 289,990,000 shares in Radford Capital Investment Limited at a total consideration of HK\$52,198,200 pursuant to a subscription agreement. After the subscription, HMI holds 29% interest in Radford Capital Investment Limited whose shares are listed on The Stock Exchange of Hong Kong Limited.

43. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following SSAPs:

SSAP 9	(Revised in January 2001)	Events after the balance sheet date
SSAP 10	(Revised in May 2001)	Accounting for investments in associates
SSAP 14	(Revised in February 2000)	Leases
SSAP 17	(Revised in April 2001)	Property, plant and equipment
SSAP 26	(Issued in February 2000 and revised in August 2001)	Segment reporting
SSAP 28	(Issued in January 2001)	Provisions, contingent liabilities and contingent assets
SSAP 29	(Issued in January 2001)	Intangible assets
SSAP 30	(Issued in June 2001)	Business combination
SSAP 31	(Issued in January 2001)	Impairment of assets
SSAP 32	(Issued in January 2001)	Consolidated financial statements and accounting for investments in subsidiaries

Adoption of these standards has resulted in a number of changes in the Group's accounting policies which has led to some changes in the detailed application of the Group's accounting policies and some modifications to financial statement presentation. Comparative amounts for prior period have been restated in order to achieve a consistent presentation.

In particular, the adoption of these standards has resulted in the following changes to the Group's accounting policies.

43. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)**(a) Goodwill**

In prior periods, negative goodwill arising on acquisition of subsidiaries and associates was credited to reserves and included in carrying value of associates respectively in the year in which it arose. Effective 1 January 2001, the Group adopted the transitional provisions prescribed in SSAP 30 "Business Combination". All negative goodwill arising from acquisitions prior to 1 January 2001 continues to be accounted for in the above manner and will be credited to income at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisition of subsidiaries and associates after 1 January 2001 is presented as deduction from intangible assets and included in the carrying value of associates respectively and will be released to income based on an analysis of the circumstances from which the balance resulted.

Goodwill on acquisitions of subsidiaries at 31 December 2000 has been reclassified to be included in intangible assets to conform with the current year's presentation.

(b) Intangible assets

In prior periods, the Group's trading rights in The Stock Exchange of Hong Kong Limited included in other long term assets were stated at cost less provision for permanent diminution in value. Effective 1 January 2001, the Group adopted SSAP 29 "Intangible Assets". The trading rights are stated at cost less amortisation. Amortisation is calculated on the straight line basis to write off the cost of the trading rights over a period of ten years. This change in accounting policy has not been applied retrospectively as the financial effect on prior periods is immaterial. Accordingly, the trading rights are amortised over the remaining useful life of 111 months commencing from 1 January 2001.

The trading rights at 31 December 2000 had been reclassified to be included in intangible assets to conform with the current year's presentation.

(c) Impairment of assets

Effective 1 January 2001, the Group adopted SSAP 31 "Impairment of assets" which has introduced a formal framework for the recognition of impairment losses in respect of the Group's assets other than financial assets and investment properties. Although in prior years the Group complied with the requirements of specific Accounting Standards in respect of impairment losses, the introduction of SSAP 31 has required a re-estimation of the recoverable amounts of certain intangible assets, property, plant and equipment and interests in associates, resulting in the identification of impairment losses of property, plant and equipment and goodwill amounting to HK\$115,000,000 and HK\$4,783,000 respectively as at 31 December 2001. These impairment losses have been recognised in full in the current year.

43. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

(d) Segment reporting

Effective 1 January 2001, the Group adopted SSAP 26 "Segment Reporting" which has established principles for reporting the segmental analysis of financial information. The adoption of this standard has resulted in the following changes in the basis for allocation of expenses to segments.

Operating expenses paid or payable to other segments resulting from the operating activities of a segment that are directly attributable to the segment are included as expenses of the segment. Corporate expenses previously included in the business segment of investment holding are reclassified as unallocated expenses. Finance cost, which is attributable to the business segment of provision of financial services, is included as expense of the segment.

The comparative figures of the income statement and segmental information for the nine months ended 31 December 2000 have been restated to conform with the current year's presentation.

44. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 11 April 2002.