

Notes to Financial Statements

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31st December 2001

1. CORPORATE INFORMATION

During the year the Group was involved in the following principal activities:

- securities dealing and brokerage
- money lending
- property investment

During the year, the directors resolved to cease the operations of Magnum International Securities, Inc., a wholly-owned subsidiary of the Company, which was engaged in the securities dealing and brokerage businesses in the Philippines, due to the poor economic environment therein.

In the opinion of the directors, the ultimate holding company is Magnum Corporation Berhad, which is incorporated and listed in Malaysia.

2. BASIS OF PRESENTATION

The Group sustained a net loss from ordinary activities attributable to shareholders of HK\$51,859,754 for the year ended 31st December 2001 (2000: HK\$17,684,641). At the balance sheet date, the Group had consolidated net current assets of HK\$46,894,018 (2000: HK\$73,068,110) and consolidated deficiency in assets of HK\$5,213,337 (2000: Net assets of HK\$26,133,494). The Company's holding companies, including Magnum Corporation Berhad, have agreed in writing to provide adequate financial support to the Group to enable it to operate as a going concern. The Company's holding companies have also agreed not to demand for the repayment of the amounts due by the Group, in the aggregate amount of HK\$85,986,647 at the balance sheet date, until a time when the Group is in a position to repay the amounts due without impairing its liquidity position. After taking into consideration the financial support provided by the Company's holding companies as mentioned above, and the consolidated net current assets of the Group of HK\$46,894,018 at the balance sheet date, the directors of the Company are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

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3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

The following recently-issued and revised SSAPs and related Interpretations 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 17 (Revised) : “Property, plant and equipment”
- 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”
- Interpretation 12 : “Business combinations — subsequent adjustment of fair values and goodwill initially reported”
- Interpretation 13 : “Goodwill — continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves”

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 14 (Revised) prescribes the basis for lessor and lessee accounting for operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have had no impact on the amounts previously recorded in the financial statements. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 35 to the financial statements.

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3. IMPACT OF NEW AND 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 7 to the financial statements.

SSAP 30 prescribes the accounting treatment of business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. The adoption of the SSAP has resulted in prior year adjustments, further details of which are included in note 5 to the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties, certain fixed assets and equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements include 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.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

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

Goodwill

Goodwill arising on the acquisition of subsidiaries represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 5 years.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. On the adoption of SSAP 30, the goodwill previously eliminated against consolidated reserves for all acquisitions has been retrospectively restated as if the new accounting policy above had always been applied. This restatement has given rise to a prior year adjustment, further details of which are included in note 5 to the financial statements. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

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.

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.

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

Impairment of assets *(continued)*

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses. The Group has adopted the transitional provisions set out in paragraph 80 of the Statement of Standard Accounting Practice No.17 "Property, plant and equipment" issued by the Hong Kong Society of Accountants of not making further revaluations of its fixed assets.

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 fixed assets have 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 fixed asset, the expenditure is capitalised as an additional cost of that asset.

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

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

Fixed assets and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the unexpired lease terms
Buildings	2.5% – 10%
Leasehold improvements	Over the lease terms
Furniture and fixtures	20%
Motor vehicles	25%
Computers and equipment	30% – 33%

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.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On the disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Intangible asset

The intangible asset, representing the eligibility right to trade on or through The Stock Exchange of Hong Kong Limited (the "Stock Exchange Trading Right"), is stated at cost less accumulated amortisation and any impairment losses.

Amortisation is calculated on the straight-line basis to write off the cost of the trading right over its estimated useful life of ten years.

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

Leased assets

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Other assets

Other assets held on a long term basis are stated at cost less any impairment losses on an individual asset basis.

Short term investments

Short term investments consist of investments in equity securities which are expected to be realised within one year from the date of acquisition and treasury notes held to maturity with maturity terms less than one year.

Investments in equity securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

Treasury notes held to maturity are stated at amortised cost. Premiums and discounts are amortised over the period from the date of purchase to the date of maturity or redemption.

Revenue recognition

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:

- commissions on securities dealings, on a trade date basis;
- interest income, on a time proportion basis, taking into account the principal outstanding and the effective interest rate applicable;
- rental income, in the period in which the properties are let out and on the straight-line basis over the lease terms; and
- dividends, when the shareholders' right to receive payment has been established.

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

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.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1st December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF 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 MPF Scheme.

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the "prior scheme") for those employees who were eligible to participate in this scheme. This prior scheme operated in a similar way to the MPF Scheme, except that when an employee left the prior scheme before his/her interest in the Group's employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer's contributions. With effect from 1st December 2000, the prior scheme was terminated.

Foreign currencies

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.

On consolidation, the financial statements of overseas subsidiary are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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

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 and 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.

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. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

5. PRIOR YEAR ADJUSTMENTS

In prior years, goodwill arising on consolidation of subsidiaries was eliminated against reserves in the year it arose. During the year, the Group adopted SSAP 30 and goodwill is now stated at cost and is amortised on a straight-line basis over five years. This change in accounting policy has been applied retrospectively and prior year adjustments have been made in the current year's financial statements. The effect of the adjustments is to increase the Group's contributed surplus and accumulated losses as at 1st January 2000 by HK\$7,135,981 to reflect changes in the Group's reserves prior to 1st January 2000 (note 32).

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6. TURNOVER

The current year's turnover represents commission and interest income from securities dealing and margin finance, interest income from consumer finance and property rental income.

An analysis of turnover is as follows:

	Group	
	2001	2000
	HK\$	HK\$
Commission and interest income from securities dealing and margin finance	11,166,810	32,441,958
Interest income from consumer finance	1,000,240	1,478,763
Property rental income	2,156,397	2,426,020
	14,323,447	36,346,741

7. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as explained in note 3 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of services provided. Each of the Group's business segments represents a strategic business unit that offers different types of services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- The securities dealing and margin finance segment provides securities dealing services in acquiring, disposing of and subscribing for securities listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and other overseas markets and financial accommodation to facilitate the trading of these marketable securities.
- The consumer finance segment comprises the granting of personal loans.
- The property holding segment involves in property investment.

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7. SEGMENT INFORMATION (continued)

In determining the Group's geographical segments, revenues and results are attributed to the segments based on location of customers and assets are attributed to the segments based on the location of the assets.

(a) Business segments

The following tables present revenue, loss and certain asset, liability and expenditure information for the Group's business segments.

	Securities dealing and margin finance		Consumer finance		Property holding		Elimination		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment revenue:										
Services provided to external customers	11,166,810	32,441,958	1,000,240	1,478,763	2,156,397	2,426,020	—	—	14,323,447	36,346,741
Other operating income	1,097,185	649,802	—	31,973	7,076	907	—	—	1,104,261	682,682
Total revenue	12,263,995	33,091,760	1,000,240	1,510,736	2,163,473	2,426,927	—	—	15,427,708	37,029,423
Segment results	(33,186,443)	(582,033)	(8,309,298)	(4,288,969)	(2,530,203)	(5,667,299)	2,811,530	4,044,610	(41,214,414)	(6,493,691)
Unallocated income and gains									91,318	915,558
Unallocated expenses									(3,562,858)	(5,788,726)
									(44,685,954)	(11,366,859)
Finance costs									(7,173,800)	(7,459,743)
Loss before tax									(51,859,754)	(18,826,602)
Tax									—	1,141,961
Net loss from ordinary activities attributable to shareholders									(51,859,754)	(17,684,641)

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7. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Securities dealing and margin finance		Consumer finance		Property holding		Elimination		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Segment assets	83,677,996	102,861,075	28,187,455	35,695,291	31,532,929	35,826,486	(13,210,357)	(13,801,390)	130,188,023	160,581,462
Unallocated assets									28,874,887	29,887,867
Bank overdraft included in segment assets	11,533	18,781,562	—	—	—	—			11,533	18,781,562
Total assets	83,689,529	121,642,637	28,187,455	35,695,291	31,532,929	35,826,486			159,074,443	209,250,891
Segment liabilities	39,185,066	46,753,401	38,519,841	37,718,379	1,431,216	1,248,374	(59,401,366)	(65,370,252)	19,734,757	20,349,902
Unallocated liabilities									144,541,490	143,985,933
Bank overdraft included in segment assets	11,533	18,781,562	—	—	—	—			11,533	18,781,562
Total liabilities	39,196,599	65,534,963	38,519,841	37,718,379	1,431,216	1,248,374			164,287,780	183,117,397
Other segment information:										
Capital expenditures	478,298	1,114,713	—	—	85,540	347,776				
Depreciation	1,103,797	1,204,272	—	—	299,535	413,704				
Amortisation	505,910	379,432	—	—	—	—				
Unrealised holding gain/(loss) on short term investments	(4,567,750)	14,217,555	—	—	—	—				
Deficit on revaluation of fixed assets recognised directly in equity	—	—	—	—	1,008,900	—				
Deficit on revaluation of fixed assets recognised in the profit and loss account	—	—	—	—	896,395	—				
Provision for doubtful debts	1,082,057	10,865,978	5,533,048	—	—	—				
Deficit on revaluation of investment properties	—	—	—	—	2,049,603	6,426,074				
Impairment of other assets recognised in the profit and loss account	448,529	8,419,084	—	—	—	—				
Exchange loss realised upon cessation of business of a foreign subsidiary	22,725,356	—	—	—	—	—				

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7. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

The following table presents the revenue, results and certain asset and expenditure information for the Group's geographical segments.

	Hong Kong		Philippines*		Consolidated	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Segment revenue:						
Services provided to external customers	13,673,804	32,063,231	649,643	4,283,510	14,323,447	36,346,741
Other operating income	501,955	1,178,148	693,625	420,092	1,195,580	1,598,240
Total revenue	14,175,759	33,241,379	1,343,268	4,703,602	15,519,027	37,944,981
Segment results	(18,945,052)	1,607,096	(25,740,902)	(12,973,955)	(44,685,954)	(11,366,859)
Other geographical information:						
Segment assets	122,124,205	148,205,544	36,938,705	42,263,785	159,062,910	190,469,329
Bank overdrafts included in segment assets	11,533	18,781,562	—	—	11,533	18,781,562
Total assets	122,135,738	166,987,106	36,938,705	42,263,785	159,074,443	209,250,891
Capital expenditure	596,068	1,409,386	—	60,722	596,068	1,470,108

* The operation of the Group's securities dealing and brokerage businesses in the Philippines ceased during the year as further detailed in note 1 to the financial statements.

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8. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

	Notes	Group 2001 HK\$	2000 HK\$
Interest expenses charged by a fellow subsidiary	(i)	59,741	121,480
Interest expenses charged by immediate holding company	(i)	3,720,878	3,423,255
Interest expenses charged by an intermediate holding company	(i)	2,919,871	2,711,553
Management fee income received from immediate holding company	(ii)	155,669	39,446
Management fee income received from an intermediate holding company	(ii)	36,056	9,119

Notes:

- (i) The interest expenses charged by a fellow subsidiary, the immediate holding company and an intermediate holding company during the year arose from their respective advances, further details of which, including terms, are disclosed in notes 27, 28 and 29, respectively.
- (ii) Management fee was charged based on certain percentage on the fund managed on behalf of the immediate holding company and an intermediate holding company.

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9. LOSS FROM OPERATING ACTIVITIES

This is arrived at after charging:

	Group	
	2001	2000
	HK\$	HK\$
Depreciation	1,595,323	1,901,798
Minimum lease payments under operating leases on land and buildings	1,510,382	2,360,795
Amortisation of intangible asset*	505,910	379,432
Write-off of fixed assets	13,181	92,030
Loss on disposal of short term investments	112,500	—
Staff costs (including directors' remuneration — note 10):		
Wages and salaries	8,873,723	15,265,559
Pension contributions	375,410	228,243
Less: Forfeited contributions	—	(63,777)
Net pension contributions	375,410	164,466
	9,249,133	15,430,025
Auditors' remuneration	680,000	700,000
Deficit on revaluation of fixed assets	896,395	—
and after crediting:		
Gross rental income	2,156,397	2,426,020
Less: Outgoings	(85,217)	(33,269)
Net rental income	2,071,180	2,392,751
Exchange gains, net	4,698	741,869
Dividend income from listed investments	270,510	—
Interest income	6,106,232	12,185,372

* The amortisation of the intangible asset for the year is included under "Other operating expenses" in the consolidated profit and loss account.

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10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2001	2000
	HK\$	HK\$
Fees	185,671	210,000
Other emoluments:		
Salaries, allowances and benefits in kind	1,891,260	1,740,000
Bonuses	354,815	345,500
Pension scheme contributions	84,963	62,100
	2,331,038	2,147,600
	2,516,709	2,357,600

During the year, directors' fees of HK\$49,562 (2000: HK\$60,000) were paid to the independent non-executive directors.

The remuneration of the above directors fell within the following bands is as follows:

	2001	2000
	Number of directors	
Nil — HK\$1,000,000	8	7
HK\$1,500,001 — HK\$2,000,000	1	1
	9	8

There were no arrangements under which a director waived or agreed to waive any remuneration during the year (2000: Nil).

During the year, 6,000,000 share options were granted to a director in respect of his services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 15 to 18. No value in respect of the share options granted during the year has been charged to the profit and loss account.

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11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2000: two) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining three (2000: three) non-director, highest paid employees are set out below:

	Group	
	2001	2000
	HK\$	HK\$
Salaries, allowances and benefits in kind	1,504,855	4,898,803
Bonuses	95,180	94,155
Pension scheme contributions	56,158	51,850
	1,656,193	5,044,808

The remuneration of the non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Group	
	2001	2000
	Number of employees	Number of employees
Nil — HK\$1,000,000	3	1
HK\$2,000,001 — HK\$2,500,000	—	2
	3	3

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12. FINANCE COSTS

	Group	
	2001	2000
	HK\$	HK\$
Interest on bank loans and overdrafts wholly repayable within five years	1,319,395	5,417,806
Interest expense on amounts due to related parties	6,700,490	6,256,288
	8,019,885	11,674,094

13. TAX

No provision for profits tax has been made as the Group had no assessable profits for the year (2000: Nil).

	Group	
	2001	2000
	HK\$	HK\$
Prior year overprovision:		
Hong Kong	—	559,000
Elsewhere	—	582,961
Tax credit for the year	—	1,141,961

14. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$31,344,042 (2000: HK\$19,440,499).

15. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK\$51,859,754 (2000: HK\$17,684,641) and the weighted average of 615,024,175 (2000: 615,024,175) ordinary shares in issue throughout the year.

The diluted loss per share for the years ended 31st December 2001 and 2000 have not been shown as the share options outstanding during these years had an anti-dilutive effect on the basic loss per share for these years.

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16. FIXED ASSETS

Group

	Land and buildings HK\$	Leasehold improvements HK\$	Furniture and fixtures HK\$	Motor vehicles HK\$	Computers and equipment HK\$	Total HK\$
Cost or valuation:						
At beginning of year	5,738,854	3,647,566	2,412,977	821,236	1,603,148	14,223,781
Additions	—	85,540	441	—	510,087	596,068
Write-off	—	(1,476,746)	(46,970)	—	(50,930)	(1,574,646)
Deficit on revaluation						
recognised directly in equity						
— note 32	(1,008,900)	—	—	—	—	(1,008,900)
Deficit on revaluation						
recognised in the profit and loss account	(896,395)	—	—	—	—	(896,395)
Reclassified to investment						
properties — note 17	(3,556,159)	—	—	—	—	(3,556,159)
Exchange realignment	—	(142,543)	(93,249)	(15,109)	(36,181)	(287,082)
At 31st December 2001	277,400	2,113,817	2,273,199	806,127	2,026,124	7,496,667
Accumulated depreciation:						
At beginning of year	736,690	2,527,231	1,599,309	715,516	1,154,234	6,732,980
Provided during the year	91,034	519,089	492,819	103,561	388,820	1,595,323
Write-off	—	(1,476,746)	(35,643)	—	(49,076)	(1,561,465)
Reclassified to investment						
properties — note 17	(774,556)	—	—	—	—	(774,556)
Exchange realignment	—	(142,543)	(67,063)	(12,950)	(28,444)	(251,000)
At 31st December 2001	53,168	1,427,031	1,989,422	806,127	1,465,534	5,741,282
Net book value:						
At 31st December 2001	224,232	686,786	283,777	—	560,590	1,755,385
At 31st December 2000	5,002,164	1,120,335	813,668	105,720	448,914	7,490,801

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16. FIXED ASSETS (continued)

The analysis of cost or valuation of land and buildings is as follows:

	Group	
	2001	2000
	HK\$	HK\$
At cost	277,400	277,400
At 1995 valuation	—	5,461,454
	277,400	5,738,854

The land and buildings are situated in Hong Kong and are held under medium term leases.

Certain of the Group's land and buildings at 31st December 2000 were reclassified from investment properties during the year ended 31st December 1996 at their carrying amounts of HK\$5,461,454, as revalued in December 1995 by Colliers Jardine (Hong Kong) Limited, an independent firm of valuers, on an open market value/existing use basis. Had these land and buildings not been revalued, their net book values at 31st December 2000 would have been HK\$3,914,540, being their cost of HK\$4,452,554 less accumulated depreciation of HK\$538,014.

17. INVESTMENT PROPERTIES

	Group	
	2001	2000
	HK\$	HK\$
At beginning of year, at valuation	29,268,000	21,576,000
Reclassified from fixed assets — note 16	2,781,603	14,118,074
Deficit on revaluation	(2,049,603)	(6,426,074)
At 31st December 2001	30,000,000	29,268,000

The investment properties are all situated in Hong Kong.

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17. INVESTMENT PROPERTIES *(continued)*

At 31st December 2001, the investment properties were valued by Vigers Hong Kong Limited, an independent professionally qualified valuers, on an open market use basis, at HK\$30,000,000.

All the investment properties of the Group are leased to third parties under operating leases, further summary details of which are included in note 35 to the financial statements.

The investment properties were pledged to banks to secure banking facilities granted to the Group as further set out in notes 26 and 36 to the financial statements.

Particulars of the investment properties are as follows:

Location	Approximate floor area	Existing use	Lease term	Group interest
a. Flat A & Flat B of 4th Floor and Roof thereto, Front Block, Wing Tai Centre, 12 Hing Yip Street, Kwun Tong, Hong Kong (76/2260th shares of and in Kwun Tong Inland Lot No. 83)	19,622 sq. ft.	Commercial	Medium	100%
b. Flat A & Flat B of 7th Floor, Front Block, Wing Tai Centre, 12 Hing Yip Street, Kwun Tong, Hong Kong (76/2260th shares of and in Kwun Tong Inland Lot No. 83)	16,818 sq. ft.	Commercial	Medium	100%

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17. INVESTMENT PROPERTIES *(continued)*

Location	Approximate floor area	Existing use	Lease term	Group interest
c. 4th Floor of Block A, Chung Mei Centre, 15 Hing Yip Street, Kwun Tong, Hong Kong (94/3190th shares of and in Kwun Tong Inland Lot Nos. 51 and 52)	5,997 sq. ft.	Commercial	Medium	100%
d. Office 1 on 1st Floor, GITIC Centre, No. 28 Queen's Road East, Wan Chai, Hong Kong (15/1386th parts or shares of and in Sections B, C, D, E, F, G and Remaining Portion of Sub- section 106 Section A Marine Lot No. 65 and Sub-sections 3 and 4 of Section A of Marine Lot No. 65)	1,188 sq. ft.	Commercial	Long	100%
e. Apartment A on 20th Floor, Car Parking Space No. 172, 1st Floor, South Bay Towers, No. 59 South Bay Road, South Bay, Island South, Hong Kong (105/16026th shares of and in Rural Building Lot No. 1049)	2,545 sq. ft.	Residential	Long	100%

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18. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$	HK\$
Unlisted shares, at cost	143,919,955	143,919,955
Less: Provision for impairment	(134,326,589)	(127,765,446)
	9,593,366	16,154,509
Amounts due from subsidiaries	302,862,085	310,308,317
Less: Provisions for amounts due from subsidiaries	(207,767,885)	(188,329,028)
	95,094,200	121,979,289
Amounts due to subsidiaries	(48,382,921)	(48,383,171)
	56,304,645	89,750,627

The balances with subsidiaries are unsecured, interest-free and not repayable within one year.

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18. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Watary Investments Limited	British Virgin Islands/ Hong Kong	US\$36,000	100	—	Investment holding
Magnum International Holdings Services Limited	Hong Kong	HK\$2	—	100	Provision of administrative services
Lismore Properties Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment and investment holding
Ongreat Properties Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment
Continuous Gain Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment
Jenpoint Limited	Hong Kong	HK\$2	—	100	Trading of marketable securities

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18. INTERESTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Wolston Limited	British Virgin Islands/ Hong Kong	US\$1	—	100	Property investment
Magnum International Finance Limited	Hong Kong	HK\$10,000,000	—	100	Money lending
Magnum International Securities Limited	Hong Kong	HK\$37,510,000	—	100	Securities dealing and margin finance
Magnum Financial Services Holdings Limited	British Virgin Islands/ Hong Kong	US\$2	100	—	Investment holding
Magnum International Securities, Inc.	Philippines	PHP150,000,000	100	—	Securities dealing and brokerage

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for 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.

Notes to Financial Statements

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31st December 2001

19. INTANGIBLE ASSET

	Group HK\$
<hr/>	
Cost:	
At beginning of year and 31st December 2001	5,059,100
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Accumulated amortisation:	
At beginning of year	379,432
Provided during the year	505,910
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At 31st December 2001	885,342
<hr/>	
Net book value:	
At 31st December 2001	4,173,758
<hr/>	
At 31st December 2000	4,679,668
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20. OTHER ASSETS

	2001	2000
	HK\$	HK\$
<hr/>		
Share in the Stock Exchange, at cost:		
At beginning of year	—	5,059,100
Transfer to intangible asset	—	(5,059,100)
<hr/>		
At end of year	—	—
<hr/>		
Share in the Philippines Stock Exchange, Inc.		
At cost:		
At beginning of year	12,935,484	15,572,816
Exchange realignment	(1,141,366)	(2,637,332)
<hr/>		
At end of year	11,794,118	12,935,484
<hr/>		
Provision for impairment:		
At beginning of year	8,419,084	—
Provided during the year	448,529	8,419,084
Exchange realignment	(742,613)	—
<hr/>		
At end of year	8,125,000	8,419,084
<hr/>		
Carrying value at end of year	3,669,118	4,516,400
<hr/>		
	3,669,118	4,516,400
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Notes to Financial Statements

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21. ACCOUNTS RECEIVABLE/ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

- (a) The credit terms provided to customers are consistent with the practice of the securities dealing industries. Details of the accounts receivable of the Group as at the balance sheet date, based on transaction date and net of provisions, are as follows:

Accounts receivable:

	Group	
	2001	2000
	HK\$	HK\$
Not yet due	2,416,483	12,536,131
0 – 30 days	2,591,214	5,248,282
Over 30 days	448,529	616,666
	5,456,226	18,401,079

- (b) Details of the accounts payable and accrued liabilities of the Group as at the balance sheet date are as follows:

Accounts payable:

	Group	
	2001	2000
	HK\$	HK\$
Not yet due	4,438,723	12,045,670
0 – 30 days	157,318	387,427
Over 30 days	9,292,415	3,294,122
	13,888,456	15,727,219
Accrued liabilities*	51,997,594	44,717,594
	65,886,050	60,444,813

* Included in accrued liabilities is an amount of HK\$26,647,291(2000: HK\$27,033,000) received from the sale of securities on behalf of the Company's immediate holding company and intermediate holding company in last year. The Group has been instructed by the holding companies to manage such amount on their behalf. Last year, the Group placed the amount in saving accounts and purchased treasury notes, both in the name of a subsidiary, amounting to HK\$4,629,000 (note 25) and HK\$22,404,000 (note 22), respectively. In the current year, the entire amount was deposited in the saving accounts of a subsidiary (note 25).

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22. SHORT TERM INVESTMENTS

	Group	
	2001	2000
	HK\$	HK\$
<hr/>		
Listed equity investments, at market value:		
Hong Kong	10,416,750	16,154,500
Elsewhere	76,000	134,071
<hr/>		
	10,492,750	16,288,571
Treasury notes, at amortised cost	—	27,614,560
<hr/>		
	10,492,750	43,903,131
<hr/>		

As further detailed in note 21 to the financial statements above, included in last year's balance of treasury notes was an amount of HK\$22,404,000 held by the Group on behalf of the Company's immediate holding company and intermediate holding company.

23. CLIENT TRUST BANK ACCOUNTS

Client trust bank accounts represent clients' trust monies kept in the trust bank accounts of a subsidiary engaged in the securities dealing business. The application of amounts maintained in such trust bank accounts is prescribed by the Securities Ordinance.

24. FIXED DEPOSIT, PLEDGED

The amount represents a bank deposit which is pledged to a bank to secure bank overdraft facility of HK\$8,000,000 (2000: HK\$8,000,000) granted to the Group of which HK\$11,533 (2000: HK\$8,000,000) had been utilised at the balance sheet date (note 36).

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25. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash and bank balances which are not restricted as to use.

As further detailed in note 21 to the financial statements above, included in the balance of the Group's cash and cash equivalents is an amount of HK\$26,647,291 (2000: HK\$4,629,000) held by the Group on behalf of the Company's immediate holding company and intermediate holding company.

26. BANK LOANS AND OVERDRAFTS, SECURED

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Mortgage loans, secured	5,873,181	7,914,024	5,873,181	7,914,024
Term loans, secured	625,000	2,625,000	625,000	2,625,000
Bank overdrafts, secured	3,984,402	25,799,063	3,972,869	7,017,501
Total bank borrowings	10,482,583	36,338,087	10,471,050	17,556,525
Portion classified as current liabilities	(6,696,114)	(29,783,099)	(6,684,581)	(11,001,537)
Long term portion	3,786,469	6,554,988	3,786,469	6,554,988
The maturities of bank borrowings are as follows:				
Within one year	6,696,114	29,783,099	6,684,581	11,001,537
In the second year	2,223,696	2,662,130	2,223,696	2,662,130
In the third to fifth years, inclusive	1,562,773	3,892,858	1,562,773	3,892,858
	10,482,583	36,338,087	10,471,050	17,556,525

Details of the assets pledged as security for the Group's banking borrowings are set out in note 36 to the financial statements.

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27. AMOUNT DUE TO A FELLOW SUBSIDIARY

The balance is unsecured, bears interest at rates ranging from 0.94% to 4.84% (2000: 5.13% to 6.44%) per annum and is not repayable within one year.

28. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

Except for an amount of HK\$53,049,000 (2000: HK\$51,464,350) which bears interest at 7.00 % (2000: rates ranging from 6.43% to 9.50%) per annum, the balance owned by the Group is unsecured, interest-free and is not repayable within one year. In respect of the amount due by the Company, the balance is unsecured, bears interest at 7.00 % (2000: rates ranging from 6.43% to 9.50%) per annum and is not repayable within one year.

29. AMOUNT DUE TO AN INTERMEDIATE HOLDING COMPANY

The balance is unsecured, bears interest at rates ranging from 6.90% to 7.20% (2000: 7% to 7.30%) per annum and is not repayable within one year.

30. DEFERRED TAX

There are no significant potential deferred tax liabilities for which provision has not been made (2000: Nil).

The principal component of the Group's unprovided deferred tax asset is as follows:

	2001	2000
	HK\$	HK\$
Tax losses	23,638,560	23,186,416

The revaluations of the Group's investment properties do not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

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31. ISSUED CAPITAL

Shares

	2001 HK\$	2000 HK\$
Authorised:		
1,000,000,000 ordinary shares of HK\$0.10 each	100,000,000	100,000,000
Issued and fully paid:		
615,024,175 ordinary shares of HK\$0.10 each	61,502,418	61,502,418

Share options

The Company operates a share option scheme ("the Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 15 to 18.

During the year, the Company granted share options to a director of the Group. Details of the movement in the Company's share options during the year were as follows:

Date of share options granted	No. of options outstanding as at 1st January 2001	No. of options granted during the year	No. of options lapsed during the year	No. of options outstanding as at 31st December 2001	Exercise price	Exercise period
22nd February 2000	23,260,000	—	(4,810,000)	18,450,000	HK\$0.37	23rd August 2000 to 22nd August 2002
11th October 2000	1,440,000	—	(50,000)	1,390,000	HK\$0.21	12th April 2001 to 29th October 2002
1st June 2001	—	6,000,000	—	6,000,000	HK\$0.10*	2nd December 2001 to 29th October 2002
	24,700,000	6,000,000	(4,860,000)	25,840,000		

* The closing price of the Company on 31st May 2001, the date immediately before the share options were granted, was HK\$0.10.

No share options were exercised during the year and the Company had 25,840,000 outstanding share options at the balance sheet date.

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32. RESERVES

Group

	Share premium account HK\$	Contributed surplus HK\$	Fixed assets revaluation reserve HK\$	Exchange fluctuation reserve HK\$	Accumulated losses HK\$	Total HK\$
At 1st January 2000						
As previously reported	168,315,330	29,412,071	2,740,350	(17,816,370)	(196,630,211)	(13,978,830)
Prior year adjustments (note 5)	—	7,135,981	—	—	(7,135,981)	—
As restated	168,315,330	36,548,052	2,740,350	(17,816,370)	(203,766,192)	(13,978,830)
Exchange losses realised upon cessation of business of a foreign subsidiary	—	—	—	2,634,427	—	2,634,427
Exchange realignment	—	—	—	(6,339,880)	—	(6,339,880)
Net loss for the year	—	—	—	—	(17,684,641)	(17,684,641)
At 31st December 2000	168,315,330	36,548,052	2,740,350	(21,521,823)	(221,450,833)	(35,368,924)
At 1st January 2001						
As previously reported	168,315,330	29,412,071	2,740,350	(21,521,823)	(214,314,852)	(35,368,924)
Prior year adjustments (note 5)	—	7,135,981	—	—	(7,135,981)	—
As restated	168,315,330	36,548,052	2,740,350	(21,521,823)	(221,450,833)	(35,368,924)
Deficit on revaluation of fixed assets (note 16)	—	—	(1,008,900)	—	—	(1,008,900)
Exchange realignment	—	—	—	(1,203,533)	—	(1,203,533)
Exchange losses realised upon cessation of business of a foreign subsidiary	—	—	—	22,725,356	—	22,725,356
Net loss for the year	—	—	—	—	(51,859,754)	(51,859,754)
At 31st December 2001	168,315,330	36,548,052	1,731,450	—	(273,310,587)	(66,715,755)

The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 30th October 1992 over the nominal value of the Company's shares issued in exchange therefor.

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32. RESERVES (continued)

Company

	Share premium account HK\$	Contributed surplus HK\$	Accumulated losses HK\$	Total HK\$
At 1st January 2000	168,315,330	95,165,446	(279,808,605)	(16,327,829)
Net loss for the year	—	—	(19,440,499)	(19,440,499)
At 31st December 2000 and 1st January 2001	168,315,330	95,165,446	(299,249,104)	(35,768,328)
Net loss for the year	—	—	(31,344,042)	(31,344,042)
At 31st December 2001	168,315,330	95,165,446	(330,593,146)	(67,112,370)

The contributed surplus of the Company represents the excess of the fair values of the shares of the subsidiaries acquired pursuant to the Group reorganisation on 30th October 1992 over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances, but does not presently qualify to do so.

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31st December 2001

33. NOTES TO THE CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK\$	HK\$
Loss before tax	(51,859,754)	(18,826,602)
Interest income	(6,106,232)	(12,185,372)
Interest expense	8,019,885	11,674,094
Depreciation	1,595,323	1,901,798
Amortisation of intangible asset	505,910	379,432
Deficit on revaluation of investment properties	2,049,603	6,426,074
Deficit on revaluation of fixed assets	896,395	—
Impairment of other assets	448,529	8,419,084
Provision for doubtful debts	6,615,105	10,865,978
Exchange losses realised upon cessation of business of a foreign subsidiary	22,725,356	2,634,427
Write-off of fixed assets	13,181	92,030
Unrealised holding (gains)/losses on short term investments	4,888,991	(14,217,555)
Loss on disposal of short term investments	112,500	—
Dividend income from listed investments	(270,510)	—
Decrease/(increase) in client trust bank accounts	(5,404,594)	1,965,877
Decrease/(increase) in short term investments	26,014,707	(29,570,309)
Decrease in accounts receivable	11,792,314	19,981,324
Decrease/(increase) in loans receivable	25,576,562	(16,011,209)
Decrease/(increase) in prepayments and other debtors	(392,751)	504,417
Increase in accounts payable and accrued liabilities	7,967,109	11,731,944
Net cash inflow/(outflow) from operating activities	55,187,629	(14,234,568)

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33. NOTES TO THE CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the years

	Amount due to a fellow subsidiary HK\$	Group Amount due to immediate holding company HK\$	Amount due to an intermediate holding company HK\$	Bank loans and mortgage loans HK\$
Balance at 1st January 2000	1,932,500	35,047,081	30,920,000	13,796,111
Net cash inflow/ (outflow) from financing activities	—	18,434,916	—	(3,257,087)
Balance at 31st December 2000 and 1st January 2001	1,932,500	53,481,997	30,920,000	10,539,024
Net cash inflow/ (outflow) from financing activities	—	1,584,650	—	(4,040,843)
Balance at 31st December 2001	1,932,500	55,066,647	30,920,000	6,498,181

- (c) In last year, pursuant to the restructuring of the Stock Exchange and the Hong Kong Futures Exchange Limited (the "Futures Exchange"), effective on 6th March 2000, the Group received a Stock Exchange Trading Right and 805,000 ordinary shares of HK\$1.00 each in Hong Kong Exchanges and Clearing Limited in exchange for its one share previously held in the Stock Exchange. There was no effect on the Group's cash flow in respect on such exchange of assets.

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33. NOTES TO THE CASH FLOW STATEMENT *(continued)*

(d) Analysis of balances of cash and cash equivalents

	Group	
	2001	2000
	HK\$	HK\$
Cash and bank balances	36,691,114	8,695,282
Time deposits with original maturity of less than three months when acquired, pledged as securities for bank overdraft facilities	5,000,000	5,000,000
Bank overdrafts	(3,984,402)	(25,799,063)
	37,706,712	(12,103,781)

34. CONTINGENT LIABILITIES

	Company	
	2001	2000
	HK\$	HK\$
Guarantees given to a bank in connection with facilities granted to a subsidiary	62,000,000	62,000,000

As at 31st December 2001, HK\$11,533 (2000: HK\$18,781,562) of the banking facilities granted to a subsidiary were utilised.

Save as disclosed above, neither the Group nor the Company had any significant contingent liabilities at 31st December 2001.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 17) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 2 years. The terms of the leases generally also require tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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35. OPERATING LEASE ARRANGEMENTS (continued)

(a) As lessor (continued)

At 31st December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2001	2000
	HK\$	HK\$
Within one year	2,046,988	1,108,197
In the second to fifth years, inclusive	1,049,200	91,588
	3,096,188	1,199,785

(b) As lessee

The Group leases certain of its office and residential properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

At 31st December 2001, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
		(Restated)		(Restated)
Within one year	903,450	1,403,920	774,345	1,238,952
Within two to five years, inclusive	—	903,450	—	774,345
	903,450	2,307,370	774,345	2,013,297

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above have been restated to accord with the current year's presentation.

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36. PLEDGE OF ASSETS

At the balance sheet date, the Group's investment properties situated in Hong Kong with carrying values of HK\$30,000,000 (2000: HK\$29,268,000), and its bank deposits amounting to HK\$5,000,000 (2000: HK\$5,000,000) were pledged to certain banks for banking facilities granted to the Group. In last year, certain of the Group's leasehold land and buildings situated in Hong Kong, which was transferred to investment properties during the current year, with net book value of HK\$4,770,997, were pledged to a bank for banking facilities granted to the Group.

37. COMPARATIVE AMOUNTS

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

The item "Exchange losses realised upon cessation of business of a foreign subsidiary" is disclosed on a separate line on the face of the consolidated profit and loss account. This has resulted in the comparative amount for this item, which was immaterial to last year's consolidated profit and loss account, being correspondingly reclassified from the other operating expenses category to the corresponding line disclosure in the 2000 comparative consolidated profit and loss account.

Since the property investment became significant to the Group's operation during the year, the rental income was included in the turnover of the current year's consolidated profit and loss account. This has resulted in the comparative amounts being correspondingly reclassified from other revenue to turnover of the 2000 comparative consolidated profit and loss account.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 16th April 2002.