1. Corporate information

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

- trading and manufacturing of plastic and chemical products
- distribution and installation of building supplies, electrical and mechanical products
- wholesaling of electrical appliances, engineering contracting business in the air-conditioning industry and the provision of maintenance services
- property and investment holding

2. 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 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 investment 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 adopting these SSAPs and Interpretations, are summarised as follows:

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

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and 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 not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustments have been required. The disclosure changes under the SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 35 to the financial statements.

2. Impact of new and revised statements of standard accounting practice ("SSAPs") *(Continued)*

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The adoption of the SSAP has no impact on the financial statements as there was no proposed final dividend income from subsidiaries for the two years reported.

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 the SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The adoption of the SSAP has no significant impact on the financial statements except that provisions are now disclosed as a separate line item on the face of the balance sheet and note 29 to the financial statements "Provision for corporate guarantee" has been added to include the new required additional disclosures.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has no impact on the financial statements as there were no intangible assets for the current and previous years.

SSAP 30 prescribes the accounting treatment for 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. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 14 to the financial statements. The required new additional disclosures are included in notes 14, 16 and 32 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements and has had no significant impact on the preparation of these financial statements.

2. Impact of new and revised statements of standard accounting practice ("SSAPs") *(Continued)*

In addition to the aforesaid new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10 : "Accounting for investments in associates"
- SSAP 17 : "Property, plant and equipment"

There are no significant effects of these revisions to the financial statements.

3. 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 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 31 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.

Associates

An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which the Group is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

3. Summary of significant accounting policies *(Continued)*

Associates *(Continued)*

Goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in reserves, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long term assets and are stated at cost less any impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates 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 not more than 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

On disposal of subsidiaries and associates, 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. Any attributable goodwill previously eliminated against reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against reserves, 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.

3. Summary of significant accounting policies *(Continued)*

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.

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 are stated at cost or valuation less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance costs, is normally charged to the profit and loss account in the year 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 an asset, the expenditure is capitalised as an additional cost of that asset.

Surpluses arising from the revaluation of fixed assets are dealt with in the asset revaluation reserve. Revaluation deficits are charged to the profit and loss account to the extent that they exceed surpluses arising previously on the individual assets. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of the previous valuations is transferred to retained earnings as a movement in reserves.

3. Summary of significant accounting policies *(Continued)*

Fixed assets and depreciation *(Continued)*

Depreciation is provided using either the straight-line or reducing balance method in order 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:

Medium term leasehold land	Over the lease terms
Buildings	2% – 4.5%
Leasehold improvements	Over the lease terms or 20% – 33$^1/_3$%
Furniture, fixtures and equipment	10% – 33$^1/_3$%
Motor vehicles	15% – 25%

The gain or loss on disposal 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.

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are classified as investment securities and are stated at cost less any impairment losses, on an individual investment basis.

When such impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amount previously charged.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are classified as other investments. Listed 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. Unlisted securities are stated at their fair values estimated by the directors on an individual 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.

Other assets

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

3. Summary of significant accounting policies *(Continued)*

Properties held for resale

Properties held for resale, consisting of completed properties, are classified under current assets and stated at the lower of cost and net realisable value. Cost consists of all expenditure directly attributable to the acquisition and development of the properties plus other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, by reference to the recoverable costs incurred during the year plus the related fee earned, measured by the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out or the weighted average basis and in case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

3. Summary of significant accounting policies *(Continued)*

Provisions

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

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

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:

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) from construction contracts, on the percentage of completion basis as further explained in the accounting policy for "Construction contracts" above;

(c) from the rendering of services, on completion of the transactions;

(d) rental income, on the straight-line basis over the lease terms;

(e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(f) dividends, when the shareholders' right to receive payment has been established.

Operating leases

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 leasee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

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.

3. Summary of significant accounting policies *(Continued)*

Foreign currencies

Foreign currency transactions are recorded at the applicable market 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 market 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 subsidiaries and associates 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.

Retirement benefits scheme

The Group operates defined contribution Mandatory Provident Fund retirement benefits schemes (the "MPF Schemes") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate. The MPF Schemes have operated since 1 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 Schemes. The mandatory part of the Group's employer contributions vest fully with the employees when contributed into the MPF Schemes. The relevant amounts of the employer voluntary contributions are forfeited and refunded to the Group when employees leave prior to vesting fully in the contributions.

Prior to the MPF Schemes becoming effective, the Group operated defined contribution provident fund schemes (the "Provident Funds") under the Occupational Retirement Schemes Ordinance for those employees who were eligible to participate. Provident Funds operated in a similar way to the MPF Schemes, except that when an employee left the Provident Funds prior to 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 forfeited contributions. Upon implementation of the MPF Schemes, the Provident Funds have been frozen and no further contributions have been made by the Group or the eligible employees after that date. Those eligible employees are entitled to receiving the funds in accordance with the rules of the Provident Funds when they leave the Group.

The assets of both schemes are held separately from those of the Group in independently administered funds.

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.

3. Summary of significant accounting policies *(Continued)*

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

4. Segment information

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of 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 their operations and the products and services they provided. Each of the Group's business segments represents a strategic business unit that offers products and 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 plastic and chemical products segment consists of importing, marketing and distributing plastic and chemical products;

- the building supplies, electrical and mechanical products segment consists of importing, marketing, distributing and installing building supplies, electrical and mechanical products;

- the electrical appliances and air-conditioning businesses segment consists of importing, marketing and distributing electrical appliances and air-conditioning products and provisioning of maintenance services;

- the property and investment holding segment consists of investments in properties and listed and unlisted securities for investment potential.

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

Inter-segment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. Segment information *(Continued)*

(a) Business segments

The following tables present revenue, profit/(loss) and certain assets, liabilities and expenditure information for the Group's business segments.

Group

	Plastic and chemical products		Building supplies, electrical and mechanical products	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:				
Sales to external customers	**456,764**	562,497	**192,353**	47,614
Inter-segment sales	**–**	–	**–**	–
Unallocated revenue	**248**	257	**–**	–
Total revenue	**457,012**	562,754	**192,353**	47,614
Segment results:				
Operating profit/(loss) from ordinary activities	**4,329**	16,806	**(20,494)**	99
Realised gain on disposal of investment securities	**–**	–	**–**	–
Significant non-cash expenses:				
Revaluation deficits of leasehold land and buildings	**(3,947)**	–	**(3,233)**	–
Provision for impairment in values of properties held for resale	**(1,785)**	–	**–**	–
Impairment of investment securities	**–**	–	**–**	–
Unrealised holding losses on other investments	**–**	–	**–**	–
	(1,403)	16,806	**(23,727)**	99
Provision for impairment of goodwill				
Provision for corporate guarantee for an associate				
Interest income and unallocated gains				
Unallocated expenses				
Loss from operating activities				
Finance costs				
Operating loss				
Share of profits less losses of associates	**–**	–	**–**	–
Loss before tax				
Tax				
Loss before minority interests				
Minority interests				
Net loss attributable to shareholders				

Electrical appliances and air-conditioning business		Property and investment holding		Eliminations		Consolidated	
2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
34,659	–	**3,895**	4,078	**–**	–	**687,671**	614,189
4,530	–	**–**	–	**(4,530)**	–	**–**	–
89	–	**–**	–	**–**	–	**337**	257
39,278	–	**3,895**	4,078	**(4,530)**	–	**688,008**	614,446
(2,307)	–	**1,450**	1,430	**1,107**	1,139	**(15,915)**	19,474
–	–	**–**	29,420	**–**	–	**–**	29,420
(228)	–	**–**	–	**–**	–	**(7,408)**	–
–	–	**(4,000)**	(4,600)	**–**	–	**(5,785)**	(4,600)
–	–	**–**	(19,187)	**–**	–	**–**	(19,187)
–	–	**(26,339)**	(8,088)	**–**	–	**(26,339)**	(8,088)
(2,535)	–	**(28,889)**	(1,025)	**1,107**	1,139	**(55,447)**	17,019
						(12,628)	–
						(21,156)	(16,000)
						6,295	11,892
						(15,920)	(16,957)
						(98,856)	(4,046)
						(10,984)	(14,749)
						(109,840)	(18,795)
–	–	**(18,789)**	2,374	**–**	–	**(18,789)**	2,374
						(128,629)	(16,421)
						(1,136)	(5,411)
						(129,765)	(21,832)
						713	(720)
						(129,052)	(22,552)

4. Segment information *(Continued)*

(a) Business segments *(Continued)*

Group

	Plastic and chemical products		Building supplies, electrical and mechanical products	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**189,853**	270,518	**75,062**	82,483
Interests in associates	**–**	–	**–**	–
Unallocated assets				
Bank overdrafts included in segment assets	**–**	–	**20,166**	7,923
Total assets				
Segment liabilities	**52,721**	97,408	**73,012**	83,587
Unallocated liabilities				
Bank overdrafts included in segment assets	**–**	–	**20,166**	7,923
Total liabilities				
Other segment information:				
Capital expenditure				
– Additions of fixed assets	**407**	5,929	**3,062**	7
– Arising on acquisition of subsidiaries	**–**	–	**–**	6,831
Depreciation	**2,137**	2,694	**1,283**	123

Electrical appliances and air-conditioning business		Property and investment holding		Eliminations		Consolidated	
2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
46,953	–	**132,372**	242,601	**(33,552)**	(67,236)	**410,688**	528,366
–	–	**41,534**	53,877	**–**	–	**41,534**	53,877
						132	181
7,520	–	**–**	–	**–**	–	**27,686**	7,923
						480,040	590,347
24,194	–	**26,937**	23,094	**(47,961)**	(82,898)	**128,903**	121,191
						141,735	163,177
7,520	–	**–**	–	**–**	–	**27,686**	7,923
						298,324	292,291
182	–	**7**	147	**–**	–	**3,658**	6,083
14,422	–	**–**	–	**–**	–	**14,422**	6,831
259	–	**111**	96	**–**	–	**3,790**	2,913

4. Segment information *(Continued)*

(b) Geographical segments

The following table presents revenue, profit/(loss) and certain assets and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Elsewhere in the PRC		Eliminations		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**637,806**	529,635	**49,865**	84,554	**–**	–	**687,671**	614,189
Inter-segment sales	**4,530**	–	**–**	–	**(4,530)**	–	**–**	–
Unallocated revenue	**337**	257	**–**	–	**–**	–	**337**	257
Total revenue	**642,673**	529,892	**49,865**	84,554	**(4,530)**	–	**688,008**	614,446
Segment results:								
Operating profit/(loss) from ordinary activities	**(12,937)**	18,911	**(2,978)**	563	**–**	–	**(15,915)**	19,474
Realised gain on disposal of investment securities	**–**	29,420	**–**	–	**–**	–	**–**	29,420
Significant non-cash expenses:								
Revaluation deficits of leasehold land and buildings	**(4,175)**	–	**(3,233)**	–	**–**	–	**(7,408)**	–
Provision for impairment in values of properties held for resale	**(4,000)**	(4,600)	**(1,785)**	–	**–**	–	**(5,785)**	(4,600)
Impairment of investment securities	**–**	(19,187)	**–**	–	**–**	–	**–**	(19,187)
Unrealised holding losses on other investments	**(26,339)**	(8,088)	**–**	–	**–**	–	**(26,339)**	(8,088)
	(47,451)	16,456	**(7,996)**	563	**–**	–	**(55,447)**	17,019
Other segment information:								
Segment assets	**427,210**	566,487	**25,262**	18,677	**(118)**	(2,740)	**452,354**	582,424
Bank overdrafts included in segment assets	**27,686**	7,923	**–**	–	**–**	–	**27,686**	7,923
							480,040	590,347
Capital expenditure								
– Additions of fixed assets	**3,490**	4,089	**168**	1,994	**–**	–	**3,658**	6,083
– Arising on acquisition of subsidiaries	**14,422**	6,831	**–**	–	**–**	–	**14,422**	6,831

5. Turnover, revenue and gains

Turnover represents the net invoiced value of services rendered and goods sold, after allowance for returns and trade discounts, and an appropriate proportion of contract revenue of construction contracts and gross rental income received and receivable during the year.

An analysis of the Group's turnover, other revenue and gains, is as follows:

	2001	2000
	HK$'000	*HK$'000*
Turnover		
Sales of goods	**629,299**	607,360
Construction contracts	**54,477**	2,751
Gross rental income	**3,895**	4,078
	687,671	614,189
Other revenue and gains		
Interest income	**2,957**	11,892
Dividend income from an unlisted investment	**629**	–
Commission income	**337**	257
Realised gain on disposal of a short term investment	**611**	–
Other	**2,098**	–
	6,632	12,149
Realised gain on disposal of investment securities	**–**	29,420
	694,303	655,758

6. Loss from operating activities

The Group's loss from operating activities is arrived at after charging/(crediting):

	Group	
	2001	2000
	HK$'000	*HK$'000*
Auditors' remuneration:		
Current year provision	**1,583**	1,176
Prior year underprovision	**61**	119
	1,644	1,295
Staff costs:*		
Wages and salaries	**44,442**	31,505
Pension contributions	**2,497**	1,117
Less: Forfeited contributions	**(52)**	–
Net pension contributions	**2,445**	1,117
	46,887	32,622
Amortisation of goodwill	**134**	–
Bad and doubtful debts	**5,789**	2,313
Depreciation	**3,790**	2,913
Cost of inventories sold	**558,142**	536,512
Cost of services rendered	**53,421**	2,345
Loss on deemed disposal of interest in an associate	**1,539**	–
Loss on disposal of subsidiaries	**487**	1,173
Operating lease rentals in respect of land and buildings	**6,500**	3,184
Provision against an amount due from an associate	**–**	3,847
Provision for obsolete inventories	**4,809**	4,648
Provision for impairment in values of properties held for resale	**5,785**	4,600
Revaluation deficits of leasehold land and buildings	**7,408**	–
Unrealised holding losses on other investments	**26,339**	8,088
Provision for/(reversal of) impairment in value of investment securities	**(331)**	19,187
Foreign exchange losses/(gains), net	**(648)**	765
Bad debts recovery	**–**	(3,471)
Dividend income from an unlisted investment	**(629)**	–
Realised gain on disposal of a short term investment	**(611)**	–
Interest income from:		
Banks and financial institutions	**(2,676)**	(11,695)
Others	**(281)**	(197)
Net rental income	**(1,781)**	(1,770)

* *Staff costs include directors' remuneration as further detailed in note 7 below. As at 31 December 2001, the Group had no forfeited pension scheme contributions available to offset future contributions (2000: Nil).*

7. Directors' remuneration

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

	Group	
	2001	2000
	HK$'000	*HK$'000*
Fees to non-executive directors	**100**	165
Executive directors:		
Fees	**–**	–
Basic salaries, housing allowances and other benefits in kind	**5,701**	5,056
Bonuses paid and payable	**750**	500
Pension scheme contributions	**402**	257
	6,853	5,813
	6,953	5,978

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

	Number of directors	
	2001	2000
Nil – HK$1,000,000	**9**	9
HK$1,000,001 – HK$1,500,000	**1**	–
HK$1,500,001 – HK$2,000,000	**1**	2
HK$2,000,001 – HK$2,500,000	–	1
HK$2,500,001 – HK$3,000,000	**1**	–
	12	12

There were no arrangements under which a director waived or agreed to waive any remuneration during the year.

8. Five highest paid employees

The five highest paid employees of the Group included three directors (2000: three), details of whose remuneration are set out in note 7. The details of the remuneration of the remaining two (2000: two) non-director, highest paid employees are as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Basic salaries, housing allowances and other benefits in kind	**4,143**	951
Bonuses paid and payable	**220**	400
Pension scheme contributions	**112**	67
	4,475	1,418

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

	Number of employees	
	2001	2000
Nil – HK$1,000,000	**–**	2
HK$1,000,001 – HK$1,500,000	**1**	–
HK$3,000,001 – HK$3,500,000	**1**	–
	2	2

9. Finance costs

	Group	
	2001	2000
	HK$'000	*HK$'000*
Interest on bank loans, overdrafts and other borrowings wholly repayable within five years	**10,984**	14,749

No interest was capitalised by the Group in both years.

10. Tax

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legistration, interpretations and practices in respect thereof.

	2001	2000
	HK$'000	*HK$'000*
Group:		
Hong Kong:		
Provision for the year	**48**	3,304
Under/(over) provision in prior years	**5**	(19)
Deferred *(note 30)*	**(20)**	–
Elsewhere	**–**	1,027
	33	4,312
Share of tax attributable to associates	**1,103**	1,099
Tax charge for the year	**1,136**	5,411

11. Net loss attributable to shareholders

The net loss attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company, is HK$137,205,000 (2000: HK$15,755,000).

12. Loss per share

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$129,052,000 (2000: HK$22,552,000) and the 2,755,994,984 shares (2000: 2,755,994,984 shares) in issue during the year.

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

13. Fixed assets

Group

	Land and buildings HK$'000	Leasehold improvements HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost or valuation:					
At beginning of year	37,314	1,117	15,429	1,521	55,381
Additions	–	2,390	971	297	3,658
Acquisition of subsidiaries	8,600	815	3,861	1,146	14,422
Disposals	–	(244)	(3,169)	(892)	(4,305)
Deficits on revaluation	(8,929)	–	–	–	(8,929)
Transfer to properties held for resale – note 19	(7,657)	–	–	–	(7,657)
At 31 December 2001	**29,328**	**4,078**	**17,092**	**2,072**	**52,570**
Accumulated depreciation:					
At beginning of year	1,359	593	9,344	1,115	12,411
Provided during the year	633	747	2,183	227	3,790
Acquisition of subsidiaries	–	778	3,216	1,068	5,062
Disposals	–	(244)	(2,767)	(855)	(3,866)
Written back on revaluation	(1,521)	–	–	–	(1,521)
Transfer to properties held for resale – note 19	(372)	–	–	–	(372)
At 31 December 2001	**99**	**1,874**	**11,976**	**1,555**	**15,504**
Net book value:					
At 31 December 2001	**29,229**	**2,204**	**5,116**	**517**	**37,066**
At 31 December 2000	35,955	524	6,085	406	42,970

The valuation of land and buildings included above are held under the following terms:

	2001 **HK$'000**	2000 HK$'000
Medium term leases:		
At 1998 valuation, Hong Kong	**–**	18,600
At 2001 valuation, Hong Kong	**21,500**	–
At 2001 valuation, elsewhere	**7,000**	–
At carrying amount, elsewhere	**828**	11,057
Long term leases:		
At cost, elsewhere	**–**	7,657
	29,328	37,314

13. Fixed assets *(Continued)*

The Group's leasehold land and buildings, except for a property which located elsewhere and with net carrying value of HK$729,000 as at 31 December 2001, were revalued at balance sheet date by A.G. Wilkinson & Associates, independent professional valuers, at open market value of HK$28,500,000 based on their existing use. Revaluation deficits of HK$7,408,000, resulting from the above valuations, have been charged to the profit and loss account.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$51,455,000 (2000: HK$43,590,000).

The carrying amount of land and buildings pledged to secure banking facilities granted to the Group amounted to HK$8,300,000 (2000: HK$27,772,000) (see note 27).

Company

	Furniture, fixtures and equipment *HK$'000*
Cost:	
At beginning of year	535
Additions	7
At 31 December 2001	**542**
Accumulated depreciation:	
At beginning of year	317
Provided during the year	59
At 31 December 2001	**376**
Net book value:	
At 31 December 2001	**166**
At 31 December 2000	218

14. Goodwill

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of subsidiaries, is as follows:

	Group
	Goodwill
	HK$'000
Cost:	
Acquisition of subsidiaries during the year and as at 31 December 2001	1,342
Accumulated amortisation:	
Amortisation provided during the year and as at 31 December 2001	134
Net book value:	
At 31 December 2001	**1,208**

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated capital reserve.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against reserves for impairment. As a result, the Group has recognised an impairment of goodwill previously eliminated against consolidated capital reserve, of HK$12,418,000 during the year, as detailed in the table below.

The amount of the goodwill remaining in capital reserve, arising from the acquisition of a subsidiary and an associate, is as follows:

	Group
	Goodwill eliminated against capital reserve
	HK$'000
Cost:	
At beginning of year and as at 31 December 2001	28,842
Accumulated impairment:	
Impairment provided during the year and as at 31 December 2001	12,418
Net book value:	
At 31 December 2001	**16,424**
At 31 December 2000	28,842

15. Interests in subsidiaries

	Company	
	2001	2000
	HK$'000	*HK$'000*
Unlisted shares, at cost	**185,600**	185,600
Due from subsidiaries	**818,160**	778,770
Due to subsidiaries	**(34,225)**	(41,709)
	969,535	922,661
Provisions for impairment	**(859,424)**	(803,610)
	110,111	119,051

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

Particulars of the principal subsidiaries at the balance sheet date are as follows:

Name	**Place of incorporation or registration/ operation**	**Nominal value of issued/ registered share capital**	**Percentage of equity interest attributable to the Group**		**Principal activities**
			Direct	**Indirect**	
Best Treasure Limited	British Virgin Islands	Ordinary US$1	–	100%	Investment holding
Chinney Alliance Corporate Treasury Limited	Hong Kong	Ordinary HK$2	–	100%	Provision of treasury function
Chinney Alliance Engineering Limited	Hong Kong	Ordinary HK$10,000	–	100%	Distribution and installation of mechanical, electrical and building supplies products
Chinney Alliance Trading (BVI) Limited	British Virgin Islands	Ordinary HK$360,001	100%	–	Investment holding
DMT International Hong Kong Limited	Hong Kong	Ordinary HK$1,000 Non-voting Deferred HK$5,156,700	–	100%	Agency trading in industrial products

15. Interests in subsidiaries *(Continued)*

Name	Place of incorporation or registration/ operation	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
Dharmala Development Limited	Hong Kong	Ordinary HK$1,000 Non-voting Deferred HK$25,000,000	–	100%	Investment holding
Full Yip Development Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Property holding
Gina Enterprises Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Jackson Mercantile Trading Company Limited	Hong Kong	Ordinary HK$2,000 Non-voting Deferred HK$5,000,000	–	100%	Investment holding and wholesaling of electrical appliances
Jacobson van den Berg (Hong Kong) Limited	Hong Kong	Ordinary HK$1,000 Non-voting Deferred HK$35,486,600	–	100%	Investment holding and agency trading in industrial products
Lei Kee Development Company Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Lindeteves Jacoberg (China) Limited	Hong Kong	Ordinary HK$170,000	–	100%	Trading of industrial apparatus, welding consumables and equipment
Tegan Holdings Limited	Hong Kong	Ordinary HK$2	–	100%	Property holding
Tegdyl Corporation Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	–	100%	Property holding
Westco Chinney Limited*	Hong Kong	Ordinary HK$3,000,000	–	100%	Sales and installation of air-conditioners

15. Interests in subsidiaries *(Continued)*

Name	Place of incorporation or registration/ operation	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Group Direct	Indirect	Principal activities
Dongguan Dharmala PVC Compounding Limited#*	People's Republic of China	HK$8,000,000	–	70%	Manufacture of industrial products
Jacobson van den Berg (China) Limited*	Hong Kong	Ordinary HK$1,000,000	–	70%	Trading of electrical and mechanical products

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\# The subsidiary is a wholly-owned foreign enterprise with a duration of business of 12 years commencing from 7 June 1995. This subsidiary is indirectly held by the Company through a 70% owned subsidiary.

During the year, the Group acquired Best Treasure Limited and its subsidiaries from Chinney Investments, Limited. Details of the transaction are set out in note 34 to the financial statements.

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.

16. Interests in associates

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Listed shares, at cost	**–**	–	**77,186**	73,734
Share of net assets	**41,534**	53,877	**–**	–
Due from associates	**68,938**	54,582	**–**	–
Provisions for impairment	**(68,938)**	(54,582)	**(31,055)**	–
	41,534	53,877	**46,131**	73,734

The market value of the shares of a listed associate of the Group held at 31 December 2001 was HK$27,741,000 (2000: HK$32,998,000).

The additional provision for impairment in the Group's interests in associates of HK$14,356,000 was transferred from the provision for corporate guarantee as set out in note 29 below.

Goodwill of HK$210,000 arising from the acquisition of additional interest in an associate during the year was impaired and charged to the consolidated profit and loss account.

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

16. Interests in associates *(Continued)*

Particulars of the associates are as follows:

Name	Place of incorporation or registration/ operation	Nominal value of issued/ registered share capital	Percentage of equity interest attributable to the Group 2001	2000	Principal activities
Guangdong Parking Limited	British Virgin Islands/ Hong Kong	Ordinary US$10	**40%**	40%	Property holding
Jiangxi Kaitong New Materials Company Limited*#	People's Republic of China	RMB50,000,000	**24.9%**	25%	Manufacture of stainless steel and plastic compound pipes
Shun Cheong Holdings Limited*	Bermuda/ Hong Kong	Ordinary HK$46,372,160	**23.5%**	25.1%	Building contracting services and broadband connectivity business

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

\# This associate is a Sino-foreign joint venture with a duration of business of 15 years commencing from 11 October 2000.

The voting power held and profit sharing arrangement in relation to the associates were the same as the equity interest shown above.

The financial statements of the above associates are coterminous with those of the Group, except for Shun Cheong Holdings Limited ("Shun Cheong") which has a financial year ending 31 March. The Group's consolidated financial statements have incorporated the results of Shun Cheong from 1 October 2000 to 30 September 2001. There were no material transactions between the Group and Shun Cheong during the period from 1 October 2001 to 31 December 2001.

16. Interests in associates *(Continued)*

Financial information as extracted from the most recent published financial statements of the Group's major associates are set out below.

(a) Guangdong Parking Limited

Income statement
For the year ended 31 December 2001

	2001	2000
	(Audited)	*(Audited)*
	HK$'000	*HK$'000*
Turnover	**16,372**	17,296
Loss attributable to shareholders	**(20,472)**	(36,678)

Balance sheet
As at 31 December 2001

	2001	2000
	(Audited)	*(Audited)*
	HK$'000	*HK$'000*
Non-current assets	**166,085**	184,713
Current assets	**599**	1,663
Current liabilities	**(28,243)**	(38,961)
Advances from shareholders	**(187,523)**	(136,085)
Other non-current liabilities	**(149,992)**	(189,932)
Net liabilities	**(199,074)**	(178,602)

(b) Shun Cheong Holdings Limited

Consolidated income statement

	Six months ended 30 September	
	2001	2000
	(Unaudited)	(Unaudited and restated)
	HK$'000	*HK$'000*
Turnover	**354,636**	353,808
(Loss)/profit attributable to shareholders	**(10,708)**	5,893

16. Interests in associates *(Continued)*

(b) Shun Cheong Holdings Limited *(Continued)*

Consolidated balance sheet

	As at 30 September 2001 (Unaudited) *HK$'000*	As at 31 March 2001 (Audited) *HK$'000*
Non-current assets	**57,922**	60,528
Current assets	**307,144**	387,334
Current liabilities	**(234,311)**	(311,118)
Non-current liabilities	**(20,260)**	(13,894)
Minority interests	**1,135**	(430)
Net assets	**111,630**	122,420

17. Long term investments

	Group		Company	
	2001 *HK$'000*	2000 *HK$'000*	**2001 *HK$'000***	2000 *HK$'000*
Investment securities:				
Unlisted equity investments, at cost	**95,415**	111,202	**–**	–
Convertible loan notes	**89,148**	93,335	**–**	–
Provision for impairments	**(184,563)**	(203,750)	**–**	–
	–	787	**–**	–
Listed equity investment, at cost: Hong Kong	**–**	42,656	**–**	42,656
	–	43,443	**–**	42,656

In the prior year, the market value of the Group's and the Company's long term listed equity investment securities at the balance sheet date was HK$42,624,000. During the year, the listed equity investment securities were reclassified to short term investments and stated at fair value at the balance sheet date.

17. Long term investments *(Continued)*

At 31 December 2001, included in the unlisted equity investments is an interest in Dharmala Agrifood Asia Pte Limited ("DAAL"), a company incorporated in Singapore, stated at a carrying value of Nil (2000: Nil) comprising the cost of the Group's equity investment of HK$95,415,000 (2000: HK$95,415,000), representing a 19.73% interest in DAAL and an interest in convertible loan notes of HK$89,148,000 (2000: HK$89,148,000), net of a provision of HK$184,563,000 (2000: HK$184,563,000). In the opinion of the directors, the above provision is adequate to cover the impairment in DAAL which arose, as the major subsidiaries of DAAL have either been declared bankrupt by their creditors or have financial difficulties in repaying outstanding bank loans.

The convertible loan notes of DAAL are unsecured and carry interest at the rate of 5.5% per annum (2000: 5.5% per annum) with a right to be converted into the ordinary share capital of DAAL at any time during the five years after completion at a conversion price based on the net asset value per DAAL share according to the then latest annual audited consolidated financial statements of DAAL and its subsidiaries. Interest income on the convertible loan notes is recognised by the Group when the receipt of such income is certain and, as a result, no interest income has been recognised by the Group during the year (2000: Nil).

In the prior year, the unlisted equity investments also included the Group's interest in OneAsia.com (Holdings) Limited ("OneAsia"), a company incorporated in Bermuda, stated at cost of the Group's equity investment of HK$15,787,000, representing a 15.33% interest in OneAsia and a convertible loan of HK$4,187,000, net of a provision of HK$19,187,000. During the year, the Group's interest in OneAisa.com was disposed of for a consideration of US$1.

18. Other assets

	Group		**Company**	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Club memberships	**1,220**	1,220	**1,220**	1,220
Retention monies receivable over 1 year	**3,358**	–	**–**	–
	4,578	1,220	**1,220**	1,220

19. Properties held for resale

	Group	
	2001	2000
	HK$'000	*HK$'000*
At beginning of year	**58,000**	73,657
Transfer from/(to) fixed assets – note 13	**7,285**	(11,057)
Provision for impairment	**(5,785)**	(4,600)
At 31 December	**59,500**	58,000

19. Properties held for resale *(Continued)*

Details of the completed properties of the Group held for resale as at 31 December 2001 are as follows:

Description	Interest in property attributable to the Group	Gross floor area	Existing use
115 parking bays at Lido Garden Sham Tseng, New Territories, Hong Kong	100%	N/A	Commercial
26 parking bays at Shining Court, 439 Shun Ning Road, Kowloon, Hong Kong	100%	N/A	Commercial
4 villas at Shenzhen, PRC 深圳市龍崗區植物園 綠色山莊4幢別墅	100%	1,060 sq. meter	Vacant

Properties held for resale are stated at their net realisable values at the balance sheet date in both years. The value of the properties which have been pledged to secure banking facilities of the Group amounted to HK$54,000,000 (2000: HK$58,000,000) (note 27).

20. Inventories

	Group	
	2001	2000
	HK$'000	*HK$'000*
Raw materials	**21,390**	34,910
Finished goods	**66,835**	40,141
	88,225	75,051

The carrying amount of inventories carried at net realisable value included above is HK$1,190,000 (2000: HK$1,144,000).

To accord with the presentation adopted in the current year, the work in progress balance of HK$7,749,000 in the prior year was reclassified to finished goods and gross amount due from contract customers, as appropriate.

21. Construction contracts

	Group	
	2001	2000
	HK$'000	*HK$'000*
Gross amount due from contract customers	**10,797**	969
Gross amount due to contract customers included in other payables and accrued liabilities	**(4,957)**	–
	5,840	969
Contract costs incurred plus recognised profits less recognised losses to date	**153,199**	13,158
Less: Progress billings	**(147,359)**	(12,189)
	5,840	969

At 31 December 2001, retention monies held by customers for contract works included in other assets and trade, bills and retention monies receivables amounted to approximately HK$3,358,000 (2000: Nil) and HK$5,074,000 (2000: Nil), respectively.

At 31 December 2001, no advances were received from customers for contract works (2000: Nil).

22. Trade, bills and retention monies receivables

	Group	
	2001	2000
Trade receivables	**139,428**	156,543
Bills receivable	**–**	1,370
Retention monies receivable within 1 year	**5,074**	–
	144,502	157,913

22. Trade, bills and retention monies receivables *(Continued)*

The Group grants a credit period to its customers ranging from cash on delivery to 60 days. A longer credit period may be allowed to customers with a good business relationship. An ageing analysis of trade receivables as at the balance sheet date, based on payment due date, is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Current to 30 days	**97,015**	117,715
31 – 60 days	**23,795**	25,959
61 – 90 days	**10,286**	4,623
Over 90 days	**18,080**	37,489
	149,176	185,786
Provision	**(9,748)**	(29,243)
	139,428	156,543

23. Due from/to related companies

The amounts due from/to related companies are unsecured, interest-free, and have no fixed terms of repayment.

24. Short term investments

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Other investments:				
Listed equity investments, at market values:				
Hong Kong	**20,471**	4,155	**20,471**	4,155
Overseas	**–**	873	**–**	–
	20,471	5,028	**20,471**	4,155
Unlisted equity investments, at fair value	**1,161**	1,161	**1,161**	1,161
	21,632	6,189	**21,632**	5,316

25. Cash and cash equivalents

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**27,311**	21,740	**20,785**	5,291
Time deposits – non-pledged	**35,028**	79,276	**5,008**	66,476
Cash and cash equivalents	**62,339**	101,016	**25,793**	71,767

26. Trade and bills payables

	Group	
	2001	2000
	HK$'000	*HK$'000*
Trade payables	**45,845**	66,303
Bills payable	**8,748**	15,505
	54,593	81,808

An ageing analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Current to 30 days	**27,460**	51,737
31 – 60 days	**6,438**	8,684
61 – 90 days	**4,312**	2,448
Over 90 days	**7,635**	3,434
	45,845	66,303

27. Banking facilities

As at 31 December 2001, the Company and the Group had certain banking facilities which were secured by the following:

(i) legal charges over certain leasehold land and buildings;

(ii) legal charges over certain properties held for resale;

(iii) legal charges over the shares and convertible loan notes of DAAL; and

(iv) legal charges over the shares of and loan to an associate.

In the prior year, the Group had certain banking facilities which were secured by pledged time deposits of the Group. The deposits were fully released during the year.

28. Interest-bearing bank loans and other borrowings

	Group 2001 HK$'000	2000 HK$'000
Bank overdrafts, unsecured	**27,686**	7,923
Banks and financial institutions:		
Secured	**52,191**	82,000
	79,877	89,923

The maturity of the above bank loans and other borrowings is as follows:

	Group 2001 HK$'000	2000 HK$'000
Bank overdrafts repayable within one year or on demand	**27,686**	7,923
Bank loans and other borrowings repayable:		
Within one year or on demand	**34,074**	33,000
In the second year	**9,130**	33,000
In the third to fifth years, inclusive	**8,987**	16,000
	52,191	82,000
Portion classified as current liabilities	**(61,760)**	(40,923)
Long term portion	**18,117**	49,000

29. Provision for corporate guarantee

	Group and Company	
	2001	2000
	HK$'000	*HK$'000*
At beginning of year	**16,000**	–
Additional provision	**21,156**	16,000
Amounts utilised during the year	**(14,356)**	–
At 31 December 2001	**22,800**	16,000
Portion classified as current liabilities	**(22,800)**	(16,000)
Long term portion	**–**	–

The Company has given a corporate guarantee for banking facilities granted to Guangdong Parking Limited, an associate of the Group, of HK$104,000,000 (2000: HK$104,000,000). As a result of the impairment loss of the carpark assets held by the associate, a provision of HK$21,156,000 (2000: HK$16,000,000) was recognised in the year to cover the probable liabilities arising from the guarantee (note 36).

The amount utilised during the year was transferred to the provision for impairment against the Group's interests in associates as set out in note 16 to the financial statements.

30. Deferred tax

	Group	
	2001	2000
	HK$'000	*HK$'000*
At beginning of year	**20**	20
Credit for the year *(note 10)*	**(20)**	–
Acquisition of subsidiaries	**87**	–
At 31 December	**87**	20

The provision for deferred tax is made in respect of accelerated capital allowances to the extent that the liability is expected to crystallise in the foreseeable future.

The principal components of the Group's net deferred tax asset position not recognised in the financial statements are as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Accelerated capital allowances	**(92)**	(509)
Tax losses carried forward	**33,497**	20,902
	33,405	20,393

31. Share capital

Shares

	Group and Company 2001 HK$'000	2000 HK$'000
Authorised:		
25,000,000,000 ordinary shares of HK$0.01 each	**250,000**	250,000
Issued and fully paid:		
2,755,994,984 ordinary shares of HK$0.01 each	**27,560**	27,560

	Number of shares	HK$'000
At 1 January 2001 and at 31 December 2001	**2,755,994,984**	**27,560**

There was no movement in the issued share capital of the Company during the years ended 31 December 2001 and 2000.

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 17 to 22.

The movements of outstanding share options of the Company during the year were as follows:–

	Outstanding options with an exercise price of HK$0.78	Outstanding options with an exercise price of HK$0.11	Outstanding options with an exercise price of HK$0.07	Total
At beginning of year	13,485,000	30,000,000	48,000,000	91,485,000
Lapsed during the year	(6,450,000)	(30,000,000)	–	(36,450,000)
At 31 December 2001	**7,035,000**	**–**	**48,000,000**	**55,035,000**

The exercise in full of the outstanding share options would result in the issue of 55,035,000 additional ordinary shares for an aggregate amount of approximately HK$8.8 million.

32. Reserves

Group

	Share premium account	**Exchange fluctuation reserve**	**Capital reserve**	**Accumulated losses**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2000	554,756	(1,791)	236,500	(470,869)	318,596
Release on disposal of a subsidiary	–	1,791	–	–	1,791
Goodwill arising on acquisition of a subsidiary	–	–	(1,820)	–	(1,820)
Goodwill arising on acquisition of an associate	–	–	(27,022)	–	(27,022)
Net loss for the year	–	–	–	(22,552)	(22,552)
At 31 December 2000 and 1 January 2001	554,756	–	207,658	(493,421)	268,993
Provision for impairment of goodwill of a subsidiary	–	–	1,820	–	1,820
Provision for impairment of goodwill of an associate	–	–	10,598	–	10,598
Net loss for the year	–	–	–	(129,052)	(129,052)
At 31 December 2001	**554,756**	**–**	**220,076**	**(622,473)**	**152,359**
Reserves retained by/ (accumulated in):					
The Company and subsidiaries	554,756	–	220,076	(603,856)	170,976
Associates	–	–	–	(18,617)	(18,617)
At 31 December 2001	**554,756**	**–**	**220,076**	**(622,473)**	**152,359**
The Company and subsidiaries	554,756	–	207,658	(494,696)	267,718
Associates	–	–	–	1,275	1,275
At 31 December 2000	554,756	–	207,658	(493,421)	268,993

32. Reserves *(Continued)*

Company

	Share premium account *HK$'000*	**Capital reserve** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*
At 1 January 2000	554,756	236,500	(485,937)	305,319
Net loss for the year	–	–	(15,755)	(15,755)
At 31 December 2000 and 1 January 2001	554,756	236,500	(501,692)	289,564
Net loss for the year	–	–	(137,205)	(137,205)
At 31 December 2001	**554,756**	**236,500**	**(638,897)**	**152,359**

33. Notes to the consolidated cash flow statement

(a) Reconciliation of operating loss to net cash outflow from operating activities

	Group	
	2001	2000
	HK$'000	*HK$'000*
Operating loss	**(109,840)**	(18,795)
Interest expense	**10,984**	14,749
Interest income	**(2,957)**	(11,892)
Amortisation of goodwill	**134**	–
Bad and doubtful debts	**5,789**	2,313
Depreciation	**3,790**	2,913
Provision for impairment of goodwill	**12,628**	–
Loss on deemed disposal of interest in an associate	**1,539**	–
Loss on disposal of subsidiaries	**487**	1,173
Provision against an amount due from an associate	**–**	3,847
Provision for corporate guarantee for an associate	**21,156**	16,000
Provision for impairment in values of properties held for resale	**5,785**	4,600
Provision for/(reversal of) impairment in value of investment securities	**(331)**	19,187
Provision for obsolete inventories	**4,809**	4,648
Revaluation deficits of leasehold land and buildings	**7,408**	–
Write-off of other assets	**–**	58
Non-cash bad debts recovery	**–**	(2,949)
Dividend income from an unlisted investment	**(629)**	–
Gain on disposal of fixed assets	**(65)**	(153)
Realised gain on disposal of investment securities	**–**	(29,420)
Realised gain on disposal of a short term investment	**(611)**	–
Unrealised holding losses on other investments	**26,339**	8,088
Increase in other assets	**(1,072)**	–
Increase in inventories and construction contracts	**(2,759)**	(30,546)
Decrease/(increase) in trade, bills, retention monies and other receivables	**33,669**	(5,416)
Decrease in trade, bills and other payables	**(24,730)**	(3,470)
Increase/(decrease) in amounts due to related companies, net	**1,999**	(3,068)
Net cash outflow from operating activities	**(6,478)**	(28,133)

33. Notes to the consolidated cash flow statement *(Continued)*

(b) Analysis of changes in financing during the year

	Share capital (including share premium)	Bank and other loans	Trust receipt loans	Minority interests
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2000	582,316	117,370	59,968	1,446
Net cash inflow/(outflow) from financing activities	–	(35,370)	37,612	–
Decrease in trust receipt loans classified as cash equivalents	–	–	(20,849)	–
Share of profit for the year	–	–	–	720
Dividend paid to minority shareholders	–	–	–	(450)
Disposal of interest in a subsidiary	–	–	–	(213)
At 31 December 2000 and at 1 January 2001	582,316	82,000	76,731	1,503
Net cash outflow from financing activities	–	(33,343)	(18,223)	–
Increase in trust receipt loans classified as cash equivalents	–	–	11,027	–
Acquisition of subsidiaries	–	3,534	14,506	1,007
Share of loss for the year	–	–	–	(713)
At 31 December 2001	**582,316**	**52,191**	**84,041**	**1,797**

33. Notes to the consolidated cash flow statement *(Continued)*

(c) Acquisition of subsidiaries

	2001 HK$'000	2000 HK$'000
Net assets acquired:		
Fixed assets	**9,360**	1,494
Other assets	**2,286**	–
Inventories and construction contracts	**26,417**	19,737
Trade, bills and retention monies receivables	**23,466**	43,257
Deposits, prepayments and other receivables	**1,950**	3,828
Cash and bank balances	**579**	1,507
Trade payables and other accruals	**(27,498)**	(41,803)
Trust receipt loans	**(14,506)**	–
Tax payable	**(319)**	–
Current portion of a bank loan	**(1,038)**	–
Bank overdrafts	**(8,580)**	(2,013)
Long term portion of a bank loan	**(2,496)**	–
Deferred tax	**(87)**	–
Minority interests	**(1,007)**	–
	8,527	26,007
Goodwill	**1,342**	1,820
	9,869	27,827
Satisfied by:		
Cash	**9,869**	27,827

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries is as follows:

	2001 HK$'000	2000 HK$'000
Cash consideration	**9,869**	27,827
Bank overdrafts (net of cash and bank balances) of subsidiaries acquired	**8,001**	506
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	**17,870**	28,333

33. Notes to the consolidated cash flow statement *(Continued)*

(c) Acquisition of subsidiaries *(Continued)*

The subsidiaries acquired during the year contributed HK$1,687,000 to the Group's net operating cash inflow, paid HK$515,000 in respect of the net cash outflow from returns on investments and servicing of finance, received tax refund of HK$153,000, made no contribution to the net cash outflow from investing activities and contributed HK$343,000 to the net cash outflow from financing activities.

The subsidiaries acquired in the prior year contributed HK$5,000,000 to the Group's net operating cash outflow, paid HK$85,000 in respect of the net cash outflow from returns on investments and servicing of finance, contributed HK$30,000 to the net cash inflow from investing activities and made no contributions in respect of tax and financing activities.

The subsidiaries acquired during the year contributed HK$34,659,000 (2000: HK$47,614,000) to turnover and HK$3,096,000 (2000: profit of HK$51,000) to the consolidated loss after tax and before minority interests for the year.

(d) Disposal of subsidiaries

	2001	2000
	HK$'000	*HK$'000*
Net assets disposed of:		
Fixed assets	–	124
Inventories	**1,365**	4,054
Trade and bills receivables	**486**	1,798
Due from related companies, net	–	1,053
Deposits, prepayments and other receivables	**234**	166
Cash and bank balances	**34**	3,298
Trade payables and other accruals	**(1,632)**	(10,078)
Tax payable	–	(120)
Minority interests	–	(213)
	487	82
Exchange fluctuation reserve	–	1,791
Loss on disposal of subsidiaries	**(487)**	(1,173)
	–	700
Satisfied by:		
Cash received	–	700

33. Notes to the consolidated cash flow statement *(Continued)*

(d) Disposal of subsidiaries *(Continued)*

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of the subsidiaries is as follows:

	2001	2000
	HK$'000	*HK$'000*
Cash consideration received	**–**	700
Cash and cash equivalents disposed of	**(34)**	(3,298)
Net outflow of cash and cash equivalents in respect of the disposal of subsidiaries	**(34)**	(2,598)

The subsidiary disposed of during the year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the consolidated loss after tax and before minority interests for the year.

In the prior year, the subsidiaries disposed of contributed HK$3,442,000 to the Group's net operating cash inflow, received HK$4,000 in respect of the net cash outflow from returns on investments and servicing of finance, contributed HK$147,000 to the net cash outflow from investing activities and made no contributions in respect of tax and financing activities.

The subsidiaries disposed of in the prior year contributed HK$4,273,000 to turnover and HK$710,000 to consolidated profit after tax and before minority interests for that year.

(e) Major non-cash transactions

During the year, the Group's interests in certain listed shares with a carrying amount of HK$42,656,000 (2000: certain listed and unlisted shares with aggregated carrying amount of HK$3,065,000) were reclassified from long term investments to short term investments.

During the year, certain leasehold land and buildings of the Group with a net carrying amount of HK$7,285,000 were reclassified from fixed assets to properties held for resale.

In the prior year, certain bad debts were recovered by the transfer to the Group of the ownership of certain club debentures and leasehold land and buildings valued at HK$2,949,000 from certain debtors to the Group.

34. Related party transactions

(a) Set out below are the significant transactions between the Group and related parties during the year.

	Notes	Group 2001 HK$'000	Group 2000 HK$'000
Management fees paid to a major shareholder	*(i)*	**1,750**	2,750
Rental and office expenses paid to a related company	*(ii)*	**796**	711
Sales of products to associates	*(iii)*	**(2,762)**	–
Service income from related companies	*(iv)*	**(2,489)**	–

Notes:

(i) The management fees are charged by Chinney Investments, Limited ("CIL") based on the time involvement of the personnel providing services. James Sai-Wing Wong and Herman Man-Hei Fung, directors of the Company, are directors of and have beneficial interests in CIL.

(ii) The rental and office expenses were charged by Hon Kwok Land Investment Company Limited ("Hon Kwok") on an actual basis. James Sai-Wing Wong and Herman Man-Hei Fung are directors of and have beneficial interests in Hon Kwok.

(iii) The sales of products to subsidiaries of Shun Cheong, an associate of the Group, were made according to the published prices and conditions offered to the third party customers. James Sai-Wing Wong and Stephen Sek-Kee Yu are common directors of the Company and Shun Cheong.

(iv) The service income earned from subsidiaries of CIL was determined according to the published prices and conditions offered to the third party customers.

(b) As announced on 27 August 2001, the Group as the purchaser entered into a sale and purchase agreement with CIL as the vendor to acquire the entire issued share capital of Best Treasure Limited ("Best Treasure") for a cash consideration of HK$9,869,000. The consideration was determined by reference to the unaudited proforma net tangible assets of Best Treasure and its subsidiaries. CIL is a substantial shareholder of the Company. Accordingly, the transaction constitutes a connected transaction for the Company under the Listing Rules. The transaction was completed on 3 September 2001.

Best Treasure is an investment holding company and its subsidiaries are engaged in the wholesaling of electrical appliances, engineering contracting business in the air-conditioning industry and provision of maintenance services.

35. Operating lease arrangements

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to three years.

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

	Group	
	2001	2000
	HK$'000	*HK$'000*
		(Restated)
Within one year	**4,341**	3,308
In the second to fifth years, inclusive	**3,549**	4,055
	7,890	7,363

The Company had no operating lease commitments at the balance sheet date (2000: Nil).

SSAP 14 (Revised), which was adopted during the year, 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 have been restated to accord with the current year's presentation.

36. Contingent liabilities

In respect of bank guarantees given in favour of banks in connection with banking facilities granted to:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Subsidiaries	**–**	–	**424,000**	477,000
An associate	**104,000**	104,000	**104,000**	104,000
	104,000	104,000	**528,000**	581,000

As at 31 December 2001, the total facilities utilised by the subsidiaries and the associate amounted to HK$265,966,000 (2000: HK$272,048,000). As detailed in note 29 to the financial statements, a provision of HK$21,156,000 (2000: HK$16,000,000) was recognised in the year to cover the probable liabilities arising from the guarantee in respect of banking facilities granted to the associate.

37. Commitments

In addition to the operating lease commitments detailed in note 35 above, at the balance sheet date, the Group had commitments under forward foreign exchange contracts amounted to HK$40,370,000 (2000: Nil).

The Group and the Company had no other significant commitment at the balance sheet date.

38. Post balance sheet event

As announced on 8 January 2002, Multi-Investment Group Limited ("MIG"), a substantial shareholder of the Company, entered into a placing agreement with DBS Vickers (Hong Kong) Limited ("DBS") relating to the appointment of DBS as placing agent for MIG to place 390,000,000 existing shares of HK$0.01 each of the Company at the placing price of HK$0.025 per share to more than six independent third parties. Concurrently, the Company entered into a subscription agreement with MIG relating to the subscription for 550,000,000 new shares of HK$0.01 each of the Company at the issue price of HK$0.025 per share. The Company issued 550,000,000 new shares to MIG on 22 January 2002. Subsequent to the placing of existing shares and subscription of new shares of the Company, MIG remains to hold approximately 29.1% of the issued share capital of the Company.

39. Comparative amounts

As further explained in note 2 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, certain comparative amounts have been reclassified to conform with the current year's presentation.

40. Approval of the financial statements

The financial statements were approved and authorised for issue by the board of directors on 17 April 2002.