

Notes to Financial Statements

31 December 2001

1. CORPORATE INFORMATION

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

- provision of information technology services (business acquired during the year)
- property investment
- restaurant operations
- woollen and worsted business (discontinued during the year — note 6)

On 29 March 2001, the ultimate holding company changed from Beijing International Trust and Investment Corporation, which is registered in the People's Republic of China, to Beijing Holdings Limited, which is incorporated in Hong Kong (note 30(b)).

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 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"

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

(continued)

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 finance and operating leases, and the required disclosures in respect thereof. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 34 to the financial statements.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain fixed assets 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.

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

Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it 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.

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.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;

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

Joint venture companies *(continued)*

- (c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and neither has joint control of, nor is in a position to exercise significant influence over, the joint venture company.

Jointly-controlled entities

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities 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.

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

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 10 years. 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.

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

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.

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.

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.

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

Fixed assets and depreciation

Fixed assets, other than investment properties, 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, 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.

The transitional provisions set out in paragraph 80 of SSAP 17 "Property, plant and equipment" have been adopted for assets stated at valuation. As a result, those assets stated at revalued amounts, based on revaluations which were reflected in financial statements for periods ended before 30 September 1995, have not been subsequently revalued to fair value by class. It is the directors' intention not to revalue these assets in the future. The asset revaluation reserve is transferred directly to retained earnings when the reserve is realised completely on the disposal or retirement of the asset, or partially as the asset is used by the Group.

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

Depreciation 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 lease terms
Buildings	4%
Leasehold improvements	Over the lease terms or 10 years, whichever is shorter
Furniture, fixtures and equipment	10%–18%
Motor vehicles	18%–20%

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)***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, any rental income being negotiated at arm's length. 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 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 assets

Intangible assets represent management information systems and are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of five years.

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.

Inventories

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

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

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.

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.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, all development expenditure and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

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 and bank balances represent assets which are not restricted as to use.

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.

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

Retirement benefits scheme

Certain companies within the Group have participated in the compulsory retirement benefits schemes operated by the respective governments of the places in which they operate for their employees. These companies are required to contribute a certain percentage of their covered payroll to the schemes to fund the benefits. The only obligation of the Group with respect to the schemes is to pay the ongoing required contributions under the schemes. The Group's employer contributions vest fully with the employees when contributed into the schemes. Contributions under the schemes are charged to the profit and loss account as they become payable in accordance with the rules of the schemes. The assets of the schemes are held separately from those of the Group in independently administered funds.

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) rental income, on a time proportion basis over the lease terms;
- (c) receipts from restaurant operations, upon the delivery of food and beverages to customers;
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (e) from the sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;
- (f) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above; and
- (g) from the rendering of services, when the services are rendered.

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

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 subsidiaries, jointly-controlled entities 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.

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 provide. 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:

- (a) the information technology segment engages in: (i) the provision of last-mile networking services and telecommunications, data communications and management services; (ii) systems integration for intelligent building; (iii) the construction of educational information networks; and (iv) the provision of IT technical support and consultation services.
- (b) the restaurants segment engages in the operation of Chinese restaurants and the trading of dried seafood;
- (c) the property investment segment invests in office and factory space for its rental income potential;
- (d) the woollen and worsted segment engaged in the manufacture and sale of woollen and worsted products (discontinued during the year — note 6); and
- (e) the corporate segment comprises corporate income and expense items.

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4. SEGMENT INFORMATION (continued)

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

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

(a) Business segments

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

Group

	Information technology		Restaurants		Property investment		Woollen and worsted products		Corporate		Consolidated	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	74,559	—	137,148	131,405	10,084	7,787	9,634	28,369	—	—	231,425	167,561
Segment results	14,598	—	4,364	9,494	6,870	5,025	3,639	849	—	—	29,471	15,368
Interest income											2,246	3,317
Unallocated corporate expenses											(21,814)	(10,242)
Profit from operating activities											9,903	8,443
Finance costs											(6,599)	(16,135)
Share of profits and losses of:												
Associates	—	—	—	—	(1,651)	(3,768)	—	—	—	—	(1,651)	(3,768)
Jointly-controlled entities	(1)	—	—	—	—	—	(1,585)	(6,914)	—	—	(1,586)	(6,914)
Profit/(loss) before tax											67	(18,374)
Tax											(625)	(1,290)
Loss before minority interests											(558)	(19,664)
Minority interests											(1,042)	(3,120)
Net loss from ordinary activities attributable to shareholders											(1,600)	(22,784)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Information technology		Restaurants		Property investment		Woollen and worsted products		Corporate		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment assets	314,846	—	54,059	44,220	75,589	79,753	—	5,510	55,267	24,927	499,761	154,410
Interests in associates	—	—	—	—	70,946	68,826	—	—	—	—	70,946	68,826
Interests in jointly-controlled entities	471	—	—	—	—	—	—	18,698	—	—	471	18,698
Bank overdrafts included in segment assets	—	—	—	—	4,031	4,553	—	—	7,453	14,235	11,484	18,788
Total assets	315,317	—	54,059	44,220	150,566	153,132	—	24,208	62,720	39,162	582,662	260,722
Segment liabilities	43,741	—	30,684	29,427	14,631	14,976	—	8,259	1,730	23,049	90,786	75,711
Bank overdrafts included in segment assets	—	—	—	—	4,031	4,553	—	—	7,453	14,235	11,484	18,788
Unallocated liabilities	—	—	—	—	—	—	—	—	—	—	83,934	146,897
Total liabilities											186,204	241,396
Other segment information:												
Depreciation	213	—	5,524	4,721	351	429	—	—	1,344	1,128	7,432	6,278
Amortisation	2,357	—	—	—	—	—	—	—	—	—	2,357	—
Capital expenditure	2,000	—	7,987	4,681	—	—	—	—	1,289	506	11,276	5,187

(b) Geographical segments

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

Group

	Hong Kong		Elsewhere in the PRC		Singapore		Indonesia		Malaysia		Corporate		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue:														
Sales to external customers	21,249	35,766	116,425	48,016	56,858	75,878	19,080	7,901	17,813	—	—	—	231,425	167,561
Segment results	11,524	2,895	18,003	6,789	(1,505)	5,556	378	128	1,071	—	—	—	29,471	15,368
Other segment information:														
Segment assets	106,915	111,196	371,978	77,297	18,241	22,410	7,432	6,104	11,345	—	55,267	24,927	571,178	241,934
Bank overdrafts included in segment assets	—	—	—	—	4,031	4,553	—	—	—	—	7,453	14,235	11,484	18,788
Total assets	106,915	111,196	371,978	77,297	22,272	26,963	7,432	6,104	11,345	—	62,720	39,162	582,662	260,722
Capital expenditure	1,292	514	2,029	7	303	947	1,594	3,719	6,058	—	—	—	11,276	5,187

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5. TURNOVER

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; an appropriate proportion of contract revenue of construction contracts; the value of services rendered; proceeds from the sale of properties held for sale; gross rental income; and receipts from restaurant operations.

Revenue from the following activities has been included in turnover:

	Group	
	2001 HK\$'000	2000 HK\$'000
Sales of woollen and worsted products (discontinued operations — note 6)	9,634	28,369
Sales of properties held for sale	2,619	400
Sales of dried seafood	4,189	2,267
Receipts from restaurant operations	132,959	129,138
Gross rental income	7,465	7,387
Construction contracts	68,899	—
Rendering of services	5,660	—
	231,425	167,561

6. DISCONTINUED OPERATIONS

On 29 March 2001:

- (a) the Company's inventories of woollen and worsted products of HK\$4,662,000 were disposed to an affiliated company at their net book value;
- (b) the Company's entire 70% interest in a subsidiary, Sino Textile Enterprises Limited, and the Company's shareholder's loan to this subsidiary of HK\$1,518,000 were disposed to an affiliated company for a cash consideration of HK\$1,518,000, resulting in a gain on disposal of HK\$911,000; and
- (c) the Company's entire 50% interest in a jointly-controlled entity, Beijing Jin Yang Worsted Co., Ltd., was disposed of to an affiliated company for a cash consideration of HK\$19,619,000, resulting in a gain on disposal of HK\$2,506,000.

6. DISCONTINUED OPERATIONS *(continued)*

The gains on disposal represent the differences between the net sales proceeds and the net carrying amounts of the Group's share of assets and liabilities disposed at the time of disposal.

The Group discontinued the woollen and worsted business upon the completion of the above disposals.

7. PROFIT FROM OPERATING ACTIVITIES

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Cost of inventories sold	76,230	88,822
Cost of sales of properties held for sale	1,068	60
Cost of services provided	2,731	—
Depreciation	7,432	6,278
Operating lease rentals for land and buildings:		
Minimum lease payments	10,201	9,149
Contingent rents	1,262	—
	11,463	9,149
Amortisation of goodwill*	2,042	—
Amortisation of intangible assets [@]	315	—
Foreign exchange losses, net	1,235	1,053
Loss on disposal of fixed assets	—	129
Auditors' remuneration	985	770
Staff costs (including directors' remuneration — note 9):		
Wages and salaries	32,328	28,663
Pension scheme contributions	1,661	997
	33,989	29,660
Net rental income	(5,453)	(4,870)
Interest income	(2,246)	(3,317)
Gain on disposal of investment properties	(1,060)	(1,015)
Gain on disposal of fixed assets	(1,777)	—
Reversal of write down of inventories included in the cost of inventories sold	—	(469)

* The amortisation of goodwill is included in "Other operating expenses" on the face of the consolidated profit and loss account.

@ The amortisation of intangible assets is included in "Cost of sales" on the face of the consolidated profit and loss account.

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8. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank loans, overdrafts, and other loans wholly repayable within five years	6,599	16,135

9. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees	—	—
Salaries, allowances and benefits in kind	1,791	2,184
Performance related bonuses	207	273
Pension scheme contributions	27	—
	2,025	2,457

There were no emoluments payable to the independent non-executive directors during the year (2000: Nil).

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

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	9	5

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

9. DIRECTORS' REMUNERATION *(continued)*

During the year, 10,900,000 share options were granted to the directors in respect of their 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 13 to 15. No value in respect of the share options granted during the year has been charged to the profit and loss account.

10. 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 9 above. Details of the remuneration of the remaining three (2000: three) non-director, highest paid employees are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and benefits in kind	2,208	2,080
Performance related bonuses	304	472
Compensation for loss of office	480	—
Pension scheme contributions	12	—
	3,004	2,552

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

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

During the year, 1,400,000 share options were granted to one non-director, highest paid employee in respect of his services to the Group, further details of which are included in the disclosures set out under the heading "Share option scheme" in the Report of the Directors on pages 13 to 15. 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. 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.

In accordance with the relevant tax rules and regulations in the PRC, certain of the Company's PRC subsidiaries enjoy income tax exemptions and reductions. Certain PRC subsidiaries are subject to income tax rates ranging from 7.5% to 33%.

Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2001 HK\$'000	2000 HK\$'000
Group:		
Hong Kong	134	118
Elsewhere	985	2,026
Share of tax attributable to associates	(494)	(854)
Tax charge for the year	625	1,290

There was no unprovided deferred tax in respect of the year (2000: Nil).

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is HK\$34,031,000 (2000: HK\$39,908,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK\$1,600,000 (2000: HK\$22,784,000) and the weighted average of 273,008,750 (2000: 85,758,750) ordinary shares in issue during the year.

A diluted loss per share amount for the year ended 31 December 2001 has not been disclosed as the share options outstanding during the year had an anti-dilutive effect on the basic loss per share.

A diluted loss per share amount for the year ended 31 December 2000 has not been disclosed as no diluting events existed during that year.

14. FIXED ASSETS**Group**

	Investment properties	Leasehold land and buildings	Leasehold improve- ments	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:						
At beginning of year	48,250	63,871	36,370	10,109	3,872	162,472
Additions	—	—	4,104	5,639	1,533	11,276
Acquisition of subsidiaries	—	—	348	6,664	135	7,147
Disposals	(718)	(1,389)	—	(52)	(1,932)	(4,091)
Revaluation deficit	(612)	—	—	—	—	(612)
Exchange realignment	—	(1,391)	(362)	(184)	(66)	(2,003)
At 31 December 2001	46,920	61,091	40,460	22,176	3,542	174,189
At cost	—	17,591	40,460	22,176	3,542	83,769
At valuation	46,920	43,500	—	—	—	90,420
	46,920	61,091	40,460	22,176	3,542	174,189
Accumulated depreciation:						
At beginning of year	—	7,665	25,637	6,982	2,792	43,076
Provided during the year	—	1,376	3,989	1,335	732	7,432
Acquisition of subsidiaries	—	—	48	595	18	661
Disposals	—	(380)	—	(35)	(1,896)	(2,311)
Exchange realignment	—	(134)	(378)	(144)	(26)	(682)
At 31 December 2001	—	8,527	29,296	8,733	1,620	48,176
Net book value:						
At 31 December 2001	46,920	52,564	11,164	13,443	1,922	126,013
At 31 December 2000	48,250	56,206	10,733	3,127	1,080	119,396

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14. FIXED ASSETS (continued)

Company

	Leasehold land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation:					
At beginning of year	43,500	527	322	1,709	46,058
Additions	—	—	101	1,188	1,289
Disposals	—	—	(52)	(1,582)	(1,634)
At 31 December 2001	43,500	527	371	1,315	45,713
At cost	—	527	371	1,315	2,213
At valuation	43,500	—	—	—	43,500
	43,500	527	371	1,315	45,713
Accumulated depreciation:					
At beginning of year	5,471	92	180	1,709	7,452
Provided during the year	1,026	124	35	158	1,343
Disposals	—	—	(35)	(1,582)	(1,617)
At 31 December 2001	6,497	216	180	285	7,178
Net book value:					
At 31 December 2001	37,003	311	191	1,030	38,535
At 31 December 2000	38,029	435	142	—	38,606

14. FIXED ASSETS (continued)

An analysis of the leasehold land and buildings, which are held under medium term leases, at the balance sheet date is as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Situated in Hong Kong:				
At 1994 valuation	43,500	43,500	43,500	43,500
At cost	—	1,389	—	—
Situated in Singapore:				
At cost	17,591	18,982	—	—
	61,091	63,871	43,500	43,500

A revaluation of certain of the leasehold land and buildings situated in Hong Kong was carried out by CB Richard Ellis Limited, an independent professionally qualified valuer, on an open market value, existing use basis as at 31 December 1994. Had the land and buildings not been revalued, their net book value would have been as follows:

	Group and Company	
	2001 HK\$'000	2000 HK\$'000
Cost	4,339	4,339
Accumulated depreciation	(964)	(860)
Net book value at 31 December	3,375	3,479

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14. FIXED ASSETS (continued)

An analysis of the investment properties at the balance sheet date is as follows:

	2001 HK\$'000	2000 HK\$'000
Situated in the People's Republic of China:		
Hong Kong	8,720	11,050
Elsewhere	38,200	37,200
	46,920	48,250

The Group's investment properties were revalued on 31 December 2001 by CB Richard Ellis Limited, an independent professionally qualified valuer, on an open market value, existing use basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 34(a) to the financial statements.

Details of the investment properties, which are held under medium term leases, are as follows:

Location	Use
Part of the second floor and the whole of the third floor, A No. 1 Jian Guo Men Wai Avenue, Chao Yang District, Beijing, People's Republic of China	Office building
Units 1103, 1701, 1704, 1803 and 1903, Hong Kong Worsted Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	Industrial

15. GOODWILL

The amount of the goodwill capitalised as an asset, arising from the acquisition of subsidiaries during the year, is as follows:

Group

	HK\$'000
Cost:	
At beginning of year	—
Acquisition of subsidiaries	122,536
At 31 December 2001	122,536
Accumulated amortisation:	
At beginning of year	—
Provided during the year	2,042
At 31 December 2001	2,042
Net book value:	
At 31 December 2001	120,494

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16. INTANGIBLE ASSETS

Group

	Management information systems HK\$'000
Cost:	
At beginning of year	—
Additions	18,868
At 31 December 2001	18,868
Accumulated amortisation:	
At beginning of year	—
Provided during the year	315
At 31 December 2001	315
Net book value:	
At 31 December 2001	18,553

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17. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	193,947	3,947
Due from subsidiaries	153,460	103,284
	347,407	107,231
Provision for impairment	(3,836)	(3,836)
Provision against amounts due from subsidiaries	(84,000)	(70,095)
	259,571	33,300

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Ah Yat Abalone Forum Restaurant Holdings Pte Ltd*	Singapore	S\$250,000	45.9 [@]	45.9 [@]	Restaurant operations
Beijing Ah Yat Abalone Restaurant Co., Ltd.*	People's Republic of China	US\$1,400,000	48.5 [@]	48.5 [@]	Restaurant operations
Beijing Development Properties (Hong Kong) Limited	Hong Kong	HK\$100,000	100	100	Property investment
Beijing Development Property Investment and Management Co., Ltd.*	People's Republic of China	US\$4,000,000	85.5	85.5	Property investment

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17. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			2001	2000	
Becom Software Co., Ltd.*	People's Republic of China	RMB50,000,000	60	—	Provision of management information system services
Beijing Enterprises Teletron Information Technology Co. Ltd.*	People's Republic of China	RMB65,000,000	100**	—	Construction of information net- works; and the provision of IT technical support and consultation services
Beijing Singapore Investments Pte Ltd	Singapore	S\$800,000	90	90	Property and investment holding
Beijing Teletron Intelligent System Co. Ltd.*	People's Republic of China	RMB1,100,000	80**	—	Provision of system integration services
Beijing Teletron System Integration Co. Ltd.*	People's Republic of China	RMB1,000,000	51**	—	Provision of networking services
Cyber Vantage Group Limited*	#British Virgin Islands	US\$100	100**	—	Investment holding
H.K. Forewell Investments Limited	Hong Kong	HK\$10,000	51	51	Investment holding and trading of dried seafood
Hong Kong Fortune International Limited	#Hong Kong	HK\$10,000	51	51	Restaurant operations
Lord King Investment Limited*	#Hong Kong	HK\$1,000,000	51	51	Restaurant operations

17. INTERESTS IN SUBSIDIARIES *(continued)*

@ *These entities are subsidiaries of non wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of control over the entities.*

These subsidiaries operate in the People's Republic of China.

* *Indirectly held by the Company.*

** *The Group acquired these companies on 31 October 2001. Further details of this acquisition are included in notes 32(c) and 35(d) 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.

18. INTERESTS IN ASSOCIATES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	—*	—*
Share of net assets	2,177	3,033	—	—
Amounts due from associates	33,984	31,008	21,042	19,775
Loan to an associate	34,785	34,785	34,785	34,785
	70,946	68,826	55,827	54,560

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

* *The costs of unlisted shares held by the Company at 31 December 2001 and 2000 amounted to HK\$50.*

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18. INTERESTS IN ASSOCIATES (continued)

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2001	2000	
Linkcross Investments Limited	Corporate	Hong Kong	50	50	Investment holding
Overseas Union Investments Limited*	Corporate	Hong Kong	50	50	Investment holding

* Indirectly held by the Company.

19. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	—	45,449
Share of net assets	471	18,698	—	—
Provision for impairment	—	—	—	(26,749)
	471	18,698	—	18,700

Details of the indirectly held jointly-controlled entity are as follows:

Name	Business structure	Place of registration and operations	Percentage of			Principal activity
			Ownership interest	Voting power	Profit sharing	
Beijing Shixun Hutong Communication Technology Co. Ltd.	Corporate	People's Republic of China	50	50	50	Dormant

During the year, the Company disposed of its entire 50% interest in Beijing Jin Yang Worsted Co., Ltd. (note 35(c)).

20. INVENTORIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Materials	35,778	19,789	—	—
Finished goods	—	4,738	—	4,509
	35,778	24,527	—	4,509

There were no inventories carried at net realisable value as at the balance sheet date (2000: HK\$4,509,000).

21. CONSTRUCTION CONTRACTS

	Group HK\$'000
Gross amount due from contract customers	999
Contract costs incurred plus recognised profits less recognised losses to date	2,096
Less: Progress billings	(1,097)
	999

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22. PROPERTIES HELD FOR SALE

The details of the Group's properties held for sale are as follows:

Location	Group interest	Existing use	Gross floor area
Units 101-103, 107, 1501, 1503, 2001, 2101 and 2103-2104; private carparks nos. 4, 6, 8, 10-13, 16, 19-21 and 28 on the upper ground floor; lorry carpark nos. 2-8, 12-14, 16-25, 27, 29 and container space no. 30 on the ground floor, roof and external wall, Hong Kong Worsted Mills Industrial Building, 31-39 Wo Tong Tsui Street, Kwai Chung, New Territories, Hong Kong	100%	Factory and carpark rental	44,551 sq.ft. (excluding roof and carparks)

23. TRADE RECEIVABLES

The various Group companies have different credit policies, dependent on the requirements of their markets and the business which they operate. Aged analysis of trade receivables are prepared and closely monitored in order to minimise any credit risk associated with receivables.

An aged analysis of the Group's trade receivables as at balance sheet date, based on the invoice date, and net of provisions, is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within 3 months	39,726	2,613
4-6 months	120	12
Over one year	254	170
	40,100	2,795

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24. OTHER RECEIVABLES, PREPAYMENTS AND DEPOSITS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Prepayments	3,187	346	22	66
Deposits and other receivables	7,901	5,806	150	325
Due from fellow subsidiaries	9,195	—	—	—
Due from related companies	7,653	—	—	—
	27,936	6,152	172	391

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

25. TRADE AND BILLS PAYABLES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Due to third parties:				
Trade payables	38,553	7,997	—	1,036
Bills payable	4,717	—	—	—
	43,270	7,997	—	1,036
Due to a jointly-controlled entity	—	7,077	—	7,077
	43,270	15,074	—	8,113

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25. TRADE AND BILLS PAYABLES (continued)

An aged analysis of the Group's trade and bills payables as at the balance sheet date, based on the invoice date, is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within 3 months	42,316	7,340
4-6 months	954	2,324
7-12 months	—	4,940
Over one year	—	470
	43,270	15,074

26. OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Other payables		17,660	12,799	985	985
Accruals		13,211	9,783	754	2,410
Current portion of long term payables	28	3,591	4,010	—	—
Amounts due to the holding companies		889	3,705	—	3,604
Amount due to a related company		787	16,050	—	16,050
		36,138	46,347	1,739	23,049

The balances with the holding companies and the related company are unsecured, interest-free and have no fixed terms of repayment.

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27. BANK AND OTHER LOANS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank overdrafts, secured	11,484	18,788	7,453	14,235
Bank loans:				
Secured	13,365	48,207	9,365	20,145
Unsecured	70,569	23,190	23,400	—
	83,934	71,397	32,765	20,145
Other loans, unsecured	—	75,500	—	75,500
	95,418	165,685	40,218	109,880
Bank overdrafts repayable within one year or on demand	11,484	18,788	7,453	14,235
Bank loans repayable:				
Within one year or on demand	73,920	50,912	26,234	3,975
In the second year	3,462	4,962	2,946	4,405
In the third to fifth years, inclusive	5,133	13,435	3,585	11,765
Beyond five years	1,419	2,088	—	—
	83,934	71,397	32,765	20,145
Other loans repayable in the second year	—	75,500	—	75,500
	—	75,500	—	75,500
	95,418	165,685	40,218	109,880
Portion classified as current liabilities	(85,404)	(69,700)	(33,687)	(18,210)
Long term portion	10,014	95,985	6,531	91,670

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27. BANK AND OTHER LOANS *(continued)*

- (a) Certain of the Group's bank facilities are secured by:
- (i) mortgages over certain of the Group's investment properties which had an aggregate carrying value at the balance sheet date of HK\$8,720,000 (2000: HK\$48,250,000);
 - (ii) mortgages over the Group's land and buildings which had an aggregate net book value at the balance sheet date of HK\$52,564,000 (2000: HK\$56,206,000);
 - (iii) mortgages over certain of the Group's properties held for sale which had an aggregate carrying value at the balance sheet date of HK\$11,587,000 (2000: HK\$12,655,000);
 - (iv) pledged bank deposits at the balance sheet date of HK\$5,085,000 (2000: Nil); and
 - (v) a guarantee amounting to HK\$47,170,000 given by a fellow subsidiary of the Company.
- (b) The other loans outstanding in the prior year were due to an affiliated company of the Company's ultimate shareholder and bore interest at the Hong Kong prime rate per annum.

28. LONG TERM PAYABLES

	Note	Group	
		2001 HK\$'000	2000 HK\$'000
Amounts payable:			
Within one year		3,591	4,010
In the second year		2,000	2,000
In the third to fifth years, inclusive		3,999	5,998
		9,590	12,008
Portion classified as current liabilities	26	(3,591)	(4,010)
Long term portion		5,999	7,998

The long term payables represent the amounts payable for the acquisition of a subsidiary in 1995. The amounts are interest-free and are repayable by annual instalments up to the year 2005.

29. DEFERRED TAX

The amount of the deferred tax asset not recognised in the financial statements is set out below:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax losses	14,748	11,757	14,094	10,583

The revaluation of the Group's leasehold land and buildings in Hong Kong does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

30. SHARE CAPITAL**Shares**

	Company	
	2001 HK\$'000	2000 HK\$'000
Authorised:		
1,000,000,000 (2000: 160,000,000) ordinary shares of HK\$1 each	1,000,000	160,000
Issued and fully paid:		
446,258,750 (2000: 85,758,750) ordinary shares of HK\$1 each	446,259	85,759

During the year, there were the following movements in share capital:

- (a) On 16 March 2001, the authorised share capital of the Company was increased from HK\$160,000,000 to HK\$1,000,000,000 by the creation of an additional 840,000,000 ordinary share of HK\$1 each.

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30. SHARE CAPITAL *(continued)***Shares** *(continued)*

- (b) On 18 January 2001, the Company entered into three subscription agreements and a placing agreement (collectively the "Subscription Agreements") to issue a total of 218,000,000 new shares of the Company at an issue price of HK\$1 per share for an aggregate cash consideration of HK\$218 million. Out of the total 218,000,000 new shares, 168,000,000, 10,000,000, 10,000,000 and 30,000,000 shares were issued to Idata Finance Trading Limited, Gateway Direct Limited, International Network Capital LDC and not less than six institutional or professional investors, respectively. The issue price per share of HK\$1 represented a discount of approximately 33.33% to the closing price of HK\$1.50 per share as quoted on The Stock Exchange of Hong Kong Limited on 16 January 2001. After the completion of the Subscription Agreements on 29 March 2001, Beijing Enterprises Holdings Limited became the controlling shareholder of the Company.
- (c) On 31 October 2001, the Company issued 142,500,000 ordinary shares of HK\$1 each at par as part of the consideration for the acquisition of Cyber Vantage Group Limited and its subsidiaries (note 32(c)).

A summary of the transactions during the year with reference to the above movements in the Company's ordinary share capital is as follows:

	Number of shares in issue	Share capital HK\$'000
At 1 January 2001	85,758,750	85,759
Share allotments	218,000,000	218,000
New issue of shares for the acquisition of subsidiaries	142,500,000	142,500
At 31 December 2001	446,258,750	446,259

There were no changes to the carrying amount or the number of ordinary shares in issue during the prior year.

30. SHARE CAPITAL *(continued)***Share options**

Pursuant to a share option scheme approved by the shareholders of the Company on 18 June 2001, the board of directors of the Company granted a total of 15,200,000 share options at an exercise price of HK\$1.13 per share to the executive directors of the Company and employees of the Group on 19 June 2001. The options may be exercised in 2 or 3 equal portions. The first portion is exercisable on or after 1 January 2002, and each further portion becomes exercisable on 1 January in each of the following year. All of the options, if not otherwise exercised, will lapse on 26 June 2006.

Further details of the share option scheme are set out under the heading "Share option scheme" in the Report of the Directors on pages 13 to 15.

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31. RESERVES

Group

	Asset revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Reserve funds* HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2000	37,331	(1,129)	—	(74,161)	(37,959)
Exchange realignment	—	(785)	—	—	(785)
Net loss for the year	—	—	—	(22,784)	(22,784)
Transfer to accumulated losses	(922)	—	—	922	—
At 31 December 2000 and beginning of year	36,409	(1,914)	—	(96,023)	(61,528)
Exchange realignment	—	(80)	—	—	(80)
Net loss for the year	—	—	—	(1,600)	(1,600)
Transfer to reserve funds	—	—	5,224	(5,224)	—
Transfer to accumulated losses	(922)	—	—	922	—
At 31 December 2001	35,487	(1,994)	5,224	(101,925)	(63,208)
Reserves retained by:					
Companies and subsidiaries	35,487	(3,866)	5,224	(102,222)	(65,377)
Associates	—	1,872	—	298	2,170
Jointly-controlled entities	—	—	—	(1)	(1)
At 31 December 2001	35,487	(1,994)	5,224	(101,925)	(63,208)
Companies and subsidiaries	36,409	(3,485)	—	(77,624)	(44,700)
Associates	—	1,571	—	1,455	3,026
Jointly-controlled entities	—	—	—	(19,854)	(19,854)
At 31 December 2000	36,409	(1,914)	—	(96,023)	(61,528)

* Pursuant to the relevant laws and regulations for Sole Foreign Investment Enterprises, a portion of the profits of the Company's subsidiaries in the PRC has been transferred to reserve funds which are restricted as to use.

31. RESERVES *(continued)***Company**

	Asset revaluation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000
Balance at 1 January 2000	37,331	(73,495)	(36,164)
Net loss for the year	—	(39,908)	(39,908)
Transfer to accumulated losses	(922)	922	—
At 31 December 2000 and beginning of year	36,409	(112,481)	(76,072)
Net loss for the year	—	(34,031)	(34,031)
Transfer to accumulated losses	(922)	922	—
At 31 December 2001	35,487	(145,590)	(110,103)

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32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit from operating activities to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit from operating activities	9,903	8,443
Interest income	(2,246)	(3,317)
Depreciation	7,432	6,278
Amortisation of goodwill	2,042	—
Amortisation of intangible assets	315	—
Revaluation deficit/(surplus) of investment properties	612	(1,381)
Loss/(gain) on disposal of fixed assets	(1,777)	129
Gain on disposal of investment properties	(1,060)	(1,015)
Gain on disposal of a subsidiary	(911)	—
Gain on disposal of a jointly-controlled entity	(2,506)	—
Share issue expenses	6,160	—
Expenses arising from acquisition of subsidiaries	4,323	—
Decrease/(increase) in trade receivables	(30,618)	1,329
Increase in inventories	(1,566)	(2,388)
Increase in construction contracts	(999)	—
Increase in other receivables, prepayments and deposits	(2,161)	(412)
Decrease in properties held for sale	1,068	60
Increase in trade and bills payables	23,687	4,822
Increase/(decrease) in other payables and accruals	(2,343)	5,490
Net cash inflow from operating activities	9,355	18,038

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Issued capital HK\$'000	Bank and other loans HK\$'000	Minority interests HK\$'000
Balance at 1 January 2000	85,759	134,417	(6,091)
Cash inflow/(outflow) from financing activities, net	—	12,480	(1,780)
Dividends	—	—	(70)
Share of profits	—	—	3,120
Share of exchange fluctuation reserve	—	—	(84)
Balance at 31 December 2000 and beginning of year	85,759	146,897	(4,905)
Cash inflow/(outflow) from financing activities, net	218,000	(109,775)	(2,400)
Non-cash capital contribution	—	—	18,868
Acquisition of subsidiaries	142,500	47,170	1,058
Disposal of a subsidiary	—	—	390
Dividends	—	—	(78)
Share of profits	—	—	1,042
Share of exchange fluctuation reserve	—	(358)	(568)
Balance at 31 December 2001	446,259	83,934	13,407

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32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Acquisition of subsidiaries

	2001 HK\$'000
Net assets acquired:	
Interest in a jointly-controlled entity	472
Fixed assets	6,486
Cash and bank balances	85,662
Trade receivables	6,689
Inventories	9,969
Other receivables, prepayments and deposits	19,623
Trade and bills payables	(4,573)
Other payables and accruals	(8,636)
Bank loans	(47,170)
Minority interests	(1,058)
	67,464
Goodwill on acquisition	122,536
	190,000
Satisfied by:	
Cash	47,500
Issue of shares	142,500
	190,000

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)***(c) Acquisition of subsidiaries** *(continued)*

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

	2001 HK\$'000
Cash consideration	(47,500)
Cash and bank balances acquired	85,662
Net inflow of cash and cash equivalents in respect of the acquisition of subsidiaries	38,162

Since its acquisition, the subsidiaries contributed HK\$74,559,000 to the Group's turnover and HK\$14,485,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2001. The acquired subsidiaries contributed HK\$13,647,000 to the Group's net operating cash flows, paid HK\$1,999,000 in respect of the cash flows for investing activities, but had no significant impact in respect of the Group's cash flows for returns on investments and servicing of finance, financing activities or the payment of tax during the year.

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32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(d) Disposal of a subsidiary

	2001 HK\$'000
Net liabilities disposed of:	
Inventories	284
Trade receivables	2
Cash and bank balances	28
Trade payable	(64)
Other payables and accruals	(33)
Amount due to the Group	(1,518)
Minority interests	390
	(911)
Gain on disposal	911
	—
Satisfied by:	
Cash consideration	—

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

Cash consideration	—
Cash and bank balances disposed of	(28)
Amount due to the Group disposed of	1,518
Net inflow of cash and cash equivalents	1,490

The subsidiary disposed of had no significant impact on the Group's consolidated turnover, profit after tax or cashflows during the year.

(e) Major non-cash transaction

During the year, 142,500,000 shares of HK\$1 each were issued at a price of HK\$1 per share as part of the consideration for the acquisition of Cyber Vantage Group Limited and its subsidiaries.

33. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Company	
	2001 HK\$'000	2000 HK\$'000
Guarantees given to banks in connection with facilities granted to a subsidiary	8,299	55,892

At 31 December 2001, the guarantees given to the banks in connection with bank facilities granted to a subsidiary by the Company were utilised to the extent of approximately HK\$8,030,000 (2000: HK\$55,805,000).

34. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits.

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	3,803	4,848
In the second to fifth years, inclusive	1,663	2,790
	5,466	7,638

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34. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties, restaurant premises and staff quarters under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 12 years. Under certain lease agreements for the restaurant premises, contingent rentals in excess of the minimum lease payments are payable if the turnover of such restaurants reaches a pre-determined level.

At 31 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 HK\$'000	2000 HK\$'000 (Restated)	2001 HK\$'000	2000 HK\$'000 (Restated)
Within one year	13,069	7,354	576	254
In the second to fifth years, inclusive	24,216	14,154	150	—
After five years	1,981	—	—	—
	39,266	21,508	726	254

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.

35. RELATED PARTY TRANSACTIONS

- (a) In addition to the transactions and balances detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Notes	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Sales of materials to a company in which certain directors of the Company have beneficial interests	(i)	4,189	2,223	—	—
Purchases of finished goods from a jointly-controlled entity	(i)	867	14,710	867	14,710
Interest expenses on loans from an affiliated company of the Company's ultimate shareholder	(ii)	2,058	6,904	—	6,904
Interest income from an associate	(iii)	—	3,215	—	3,215
Technical service income from a fellow subsidiary	(iv)	5,660	—	—	—

Notes:

- (i) *The sales of materials to, and the purchases of finished goods from related parties were priced at the estimated market value and manufactured costs of goods sold, respectively.*
- (ii) *The interest expenses on loans from the related party were charged at the Hong Kong prime rate per annum. Further details of the loans are disclosed in note 27.*
- (iii) *The interest income on a loan to an associate was charged at the Hong Kong prime rate per annum.*
- (iv) *The service fees were calculated at 8% to 9% of the turnover of the fellow subsidiary for the previous month.*

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35. RELATED PARTY TRANSACTIONS *(continued)*

- (b) On 29 March 2001, the Company disposed of its entire 70% interest in Sino Textile Enterprises Limited ("Sino Textile"), the shareholder's loan of HK\$1,518,000 which is due from Sino Textile to the Company and all of the woollen and worsted products owned by the Company amounting to HK\$4,662,000 to Guang Ming Group (Hong Kong) Limited ("GMG"), a wholly-owned subsidiary of the then controlling shareholder of the Company, for an aggregate cash consideration of HK\$6,180,000. The consideration was determined by reference to the par value of the 70 shares of Sino Textile of HK\$70, and the carrying values of the shareholder's loan and woollen and worsted products.
- (c) On 29 March 2001, the Company disposed of its entire 50% interest in Beijing Jin Yang Worsted Co., Ltd. ("Beijing Jin Yang") to GMG for a cash consideration of HK\$19,619,000, which was determined by reference to the Group's 50% share of the net asset value of Beijing Jin Yang as shown in its unaudited management accounts as at 31 October 2000.
- (d) On 31 October 2001, the Company acquired the entire issued share capital of E-Tron Limited ("E-Tron") and Prime Technology Group Limited ("PTG") from 5 individuals and Beijing Enterprises Holdings Limited, the Company's holding company, respectively, at an aggregate consideration of HK\$190 million, satisfied as to: (i) HK\$47.5 million in cash; and (ii) HK\$142.5 million by way of the allotment of 142,500,000 new shares of the Company. The sole assets owned by E-Tron and PTG are their respective 49% and 51% equity interests in Cyber Vantage Group Limited. The consideration represented a price earnings multiple of 9.5 times of the profit guaranteed by the vendors.

36. 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 presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. In addition, the presentation of certain balances in the financial statements have been revised in order to follow the presentation of the financial statements of the Company's new holding company. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 8 April 2002.