

1. CORPORATE INFORMATION

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

- property investment and development
- trading of computer products
- securities broking and investment
- financial services
- provision of IT training and software development services

In the opinion of the directors, the ultimate holding company is Kong Fa Holding Limited (“Kong Fa”), which is incorporated in the British Virgin Islands.

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”

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:

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

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. SSAP 9 (Revised) has had no major impact on these financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. 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, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 33 and 40 to the financial statements.

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. SSAP 18 (Revised) has had no major impact on these 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.

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 SSAP has had no major impact on these financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements.

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

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 and negative 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. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. 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 16 to the financial statements. The required new additional disclosures are included in notes 16, 18 and 37 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 impact on the preparation of these financial statements.

In addition to the above 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”
- * SSAP 21: “Accounting for interests in joint ventures”

The revisions to SSAPs 10, 17 and 21 have had no significant impact on the preparation of these 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain equity investments, as further explained below.

Basis of consolidation

The consolidated financial statements incorporate 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 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.

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.

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

Joint venture companies *(continued)*

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;
- (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 has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

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. Goodwill or negative goodwill arising from the acquisition of associates is included as part of the Group's interests in associates.

Goodwill

Goodwill arising on 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 5 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.

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

Goodwill *(continued)*

On disposal of subsidiaries or 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.

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.

Negative goodwill

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

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

On disposal of subsidiaries or 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 negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

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

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after 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.

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

Land held under long term leases	Over the remaining lease terms
Buildings	4%
Leasehold improvements	Over the unexpired terms of the leases or the estimated useful life, whichever is shorter
Office furniture and equipment	15% – 33-1/3%
Motor vehicle	17%

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

Investment properties

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

On 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.

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.

Properties under development

Properties under development held for sale are stated at cost, plus, in the case of pre-sold properties or portions thereof, any attributable profits received on contracted sales, less any provision for foreseeable losses deemed necessary by the directors. Cost includes the cost of land, construction, financing and other related expenses.

Development properties where construction either has not yet commenced, or has been deferred are included as land held for development and are stated at cost less any impairment losses.

Properties under development held for sale in respect of which occupation permits are expected to be granted within one year from the balance sheet date are included as property held for sale in current assets at the lower of cost and net realizable value. Cost includes all development expenditure and other direct costs attributable to such properties. Net realizable value is determined by reference to prevailing market prices on an individual property basis.

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

Profit on sale of properties under development

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the stage of completion of the properties, limited to the extent of non-refundable progress payments received. No profit is recognised until the construction work has progressed to the stage where the eventual completion of the project, and the estimated profit thereon, can be determined with a reasonable degree of certainty.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of the assets remain with the lessor are accounted for as operating leases. When 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. When 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.

Intangible assets

Trading rights

Trading rights, representing the eligibility right to trade on The Stock Exchange of Hong Kong Limited, are stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of the trading rights over its estimated useful life of ten years.

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

Intangible assets *(continued)*

Self-developed software

Self-developed software is stated at cost less accumulated amortisation and any impairment losses. Amortisation is calculated on the straight-line basis to write off the cost of the asset over its estimated useful life of five years from the date of acquisition.

Long term investments

Long term investments are non-trading investments in unlisted equity securities intended to be held on a long term basis and are stated in the balance sheet at cost less provisions for any impairment losses, on an individual investment basis. The carrying amounts of the long term investments are reviewed as at the balance sheet date in order to assess whether the fair values have declined below the carrying amounts. When such a decline has occurred, the carrying amount is reduced to the fair value unless there is evidence that the decline is temporary. The amount of the reduction is recognised as an expense in the profit and loss account.

Short term investments

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and includes all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is based on estimated selling prices less any estimated costs necessary to make the sale.

Trade receivables

Trade receivables are recognised and carried at original invoice amount less provision for doubtful debts which is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

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

Provision for doubtful loans

Provision is made against loans as and when their collection is considered doubtful by the directors. Loans are stated in the financial statements net of this provision.

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.

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.

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 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.

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

Related parties

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

Provident fund schemes

The Group operates mandatory provident fund schemes for those employees who are eligible to participate in the schemes. 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 schemes. The assets of the schemes are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the schemes.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

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 and property developments, 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 or property developments sold;
- (b) from the sale of listed investments, commission and brokerage for securities dealing and settlement income, on a transaction date basis;
- (c) rental income, on a time proportion basis over the lease terms;

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

Revenue recognition *(continued)*

- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (e) management fees, consultancy service income, IT training and software development services income, when the related services are rendered;
- (f) other commission, on an accrual basis when the services are rendered; and
- (g) dividend income, when the shareholders' right to receive payment has been established.

Dividends

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

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

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 property investment and development segment invests in prime office space for its rental income potential and engages in property development in the People's Republic of China (the "PRC") and Malaysia;

4. SEGMENT INFORMATION *(continued)*

- (b) the computer products segment engages in the trading of computer equipment and related accessories in Hong Kong;
- (c) the securities broking and investment segment engages in the provision of securities broking services and the trading in listed equity investments in Hong Kong;
- (d) the financial services segment engages in the provision of loan finance and corporate finance consultancy services;
- (e) the information technology segment engages in the provision of IT training and software development services; and
- (f) the corporate and other segment comprises mainly corporate income and expense items.

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.

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4. SEGMENT INFORMATION

(a) Business segments

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

Group	Property investment and development		Trading of computer products		Securities broking and investment		Financial services		Information technology		Corporate and Others		Elimination		Consolidated	
	2001	2000	2001	2000	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	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:																
Sales to external customers	16,942	10,882	99,116	-	4,164	23,575	10,592	1,049	12,552	3,924	-	-	-	-	143,366	39,430
Intersegment sales	2,541	2,776	-	-	500	-	3,572	10,830	27	6	-	-	(6,640)	(13,612)	-	-
Other revenue	1,460	12,019	6	-	594	-	9	-	433	-	-	-	-	-	2,502	12,019
Total	20,943	25,677	99,122	-	5,258	23,575	14,173	11,879	13,012	3,930	-	(6,640)	(13,612)	145,868	51,449	
Segment results	7,207	15,409	109	-	351	5,148	8,272	11,248	4,375	(5,021)	-	(6,640)	(13,612)	13,674	13,172	
Interest and dividend income and unallocated gains															27,089	358
Unallocated expenses															(7,851)	-
Profit from operating activities															32,912	13,530
Finance costs															(4,487)	(4,473)
Share of profits less losses and amortisation of goodwill of associates															(6,433)	-
Profit before tax															21,992	9,057
Tax															(1,018)	(1,009)
Profit before minority interests															20,974	8,048
Minority interests															(3,819)	(1,024)
Net profit from ordinary activities attributable to shareholders															17,155	7,024

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4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group	Property investment and development		Trading of computer products		Securities broking and investment		Financial services		Information technology		Corporate and Others		Elimination		Consolidated	
	2001	2000	2001	2000	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	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	549,442	241,389	35,410	-	41,834	51,320	47,227	4,603	37,089	9,405	409	2,174	-	-	711,411	308,891
Interests in associates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	104,946	-
Bank overdrafts included in segment assets	-	-	-	-	-	-	-	-	-	89	24,922	2,003	-	-	24,922	2,092
Total assets															841,536	310,983
Segment liabilities	24,319	3,643	19,687	-	2,875	5,078	1,137	41	1,491	565	9,539	7,881	-	-	59,048	17,308
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	129,625	45,072
Bank overdrafts included in segment assets	-	-	-	-	-	-	-	-	-	89	24,922	2,003	-	-	24,922	2,092
Total liabilities															213,595	64,472
Other segment information:																
Depreciation	2,883	2,498	1	-	199	86	390	-	452	295	4	4	-	-	3,929	2,883
Amortisation	-	-	-	-	9,149	1,916	-	-	554	405	-	-	-	-	9,703	2,321
Provision for doubtful debts	8	16	-	-	250	-	316	224	-	-	-	-	-	-	574	240
Capital expenditure	839	178	26	-	88	508	635	-	18	1,402	-	-	-	-	1,606	2,088

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

Group	PRC										Consolidated	
	Hong Kong		Mainland China		Singapore		Malaysia		Eliminations		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	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	114,904	25,482	9,879	1,339	3,107	3,643	15,476	8,966	-	-	143,366	39,430
Segment results	4,364	4,567	7,722	3,495	(2,829)	(4,100)	4,417	9,210	-	-	13,674	13,172
Other segment information:												
Segment assets	212,457	25,920	233,559	20,227	-	3,652	265,395	259,092	-	-	711,411	308,891
Capital expenditure	1,573	1,285	-	-	16	666	17	137	-	-	1,606	2,088

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5. TURNOVER AND REVENUE

Turnover represents income from the net invoiced value of goods sold and services rendered, gross rental income, interest income, brokerage commissions, sales of properties under development and short term investments, other commissions and dividend income.

The Group's turnover and other revenue for the year arose from the following activities:

	2001	2000
	HK\$'000	HK\$'000
Turnover		
Sale of goods	99,116	–
Rental income	15,035	10,882
IT training and software development service income	12,552	3,643
Interest income from loans receivable	2,439	1,475
Brokerage commissions	4,147	8,624
Consultancy service income	8,153	–
Sale of properties under development	1,907	–
Sale of short term investments	–	14,475
Other commissions	17	277
Dividend income from listed investments	–	54
	<u>143,366</u>	<u>39,430</u>
Other revenue		
Management fees	602	633
Gain on disposal of subsidiaries	22,092	–
Surplus on revaluation of investment properties reversing deficit previously charged to the profit and loss account	220	11,386
Negative goodwill recognised	140	–
Bank interest income	463	358
Other income	6,074	–
	<u>29,591</u>	<u>12,377</u>
	<u>172,957</u>	<u>51,807</u>

Notes to Financial Statements

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6. PROFIT FROM OPERATING ACTIVITIES

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

	2001 HK\$'000	2000 HK\$'000
Auditors' remuneration	433	429
Cost of inventories sold	97,301	–
Depreciation *	3,929	2,883
Amortisation of goodwill of subsidiaries *	3,791	1,631
Negative goodwill recognised as income during the year **	(140)	–
Amortisation of trading rights *	343	285
Amortisation of self-developed software *	374	405
Loss on disposal of fixed assets, net	199	43
Provision for doubtful debts	574	240
Unrealised losses on revaluation of short term listed investments	23	1
Minimum lease payments under operating leases for land and buildings	2,834	1,270
Staff costs (including directors' remuneration – note 8):		
Wages and salaries	14,097	11,922
Pension contributions	1,135	427
	<u>15,232</u>	<u>12,349</u>
Foreign exchange losses/(gains), net	245	(49)
Surplus on revaluation of investment properties	(220)	(11,386)
Gain on disposal of subsidiaries	(22,092)	–
Gain on disposal of short term listed investments	–	(10,282)
Dividend income from listed investments	–	(54)
Rental income, net	(11,048)	(7,003)
Interest income from loans receivable	(2,439)	(1,475)
Bank interest income	<u>(463)</u>	<u>(358)</u>

* Depreciation and the amortisation of goodwill of subsidiaries, trading rights and self-developed software for the year are shown on the face of the consolidated profit and loss account.

** The movements in negative goodwill recognised in the consolidated profit and loss account for the year are included in "Other revenue" on the face of the consolidated profit and loss account.

Notes to Financial Statements

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7. FINANCE COSTS

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on bank loans and overdrafts wholly repayable within five years	4,485	4,465
Interest on finance leases	2	8
	<u>4,487</u>	<u>4,473</u>

8. DIRECTORS' REMUNERATION

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

	Group	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees:		
Executive directors	300	–
Independent non-executive directors	120	118
	<u>420</u>	<u>118</u>
Salaries, allowances and benefits in kind:		
Executive directors	1,760	1,499
	<u>2,180</u>	<u>1,617</u>

The remuneration of the directors fell within the following bands:

	2001	2000
	Number of directors	Number of directors
Nil – HK\$1,000,000	4	6
HK\$1,000,001 – HK\$1,500,000	1	–
	<u>5</u>	<u>6</u>

8. DIRECTORS' REMUNERATION *(continued)*

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

During the year, 68,282,085 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 16 to 17. No value in respect of the share options granted during the year has been charged to the profit and loss account.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2000: two) executive directors, further details of whose remuneration are disclosed in note 8 above. Details of the remuneration of the remaining three (2000: three) non-directors, highest paid employees are set out below:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	<u>2,754</u>	<u>2,223</u>

The remuneration of the non-directors, highest paid employees fell within the following bands:

	2001	2000
	Number of	Number of
	employees	employees
Nil – HK\$1,000,000	2	2
HK\$1,000,001 – HK\$1,500,000	–	1
HK\$1,500,001 – HK\$2,000,000	1	–
	<u>3</u>	<u>3</u>

Notes to Financial Statements

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10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000:16%) on the estimated assessable profits arising from 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 legislation, interpretations and practices in respect thereof.

	Group	
	2001	2000
	HK\$'000	HK\$'000
Group:		
Hong Kong	140	301
Elsewhere	1,113	2
Overprovision in prior year	(27)	–
Deferred tax – note 35	(208)	706
	<hr/>	<hr/>
Tax charge for the year	<u>1,018</u>	<u>1,009</u>

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$1,790,000 (2000: net loss of HK\$11,931,000).

12. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$17,155,000 (2000: HK\$7,024,000) and on the weighted average of 1,169,261,000 (2000: 530,790,000) ordinary shares in issue during the year.

The diluted earnings per share is based on 1,185,097,000 ordinary shares which is the weighted average number of ordinary shares in issue during the year plus the weighted average number of 15,836,000 ordinary shares deemed to be issued at no consideration if all outstanding share options had been exercised. The effect of the warrants outstanding during the year was anti-dilutive; and accordingly, they had no impact on the calculation of the diluted earnings per share.

Diluted earnings per share for the year ended 31 December 2000 had not been calculated as there was no dilutive potential ordinary shares in that year.

Notes to Financial Statements

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13. FIXED ASSETS

Group

	Land and buildings <i>HK\$'000</i>	Leasehold improve- ments <i>HK\$'000</i>	Office furniture and equipment <i>HK\$'000</i>	Motor vehicle <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At beginning of year	40,164	17,738	7,926	377	66,205
Exchange adjustments	–	(23)	(25)	(23)	(71)
Additions – note 38(f)	800	60	596	150	1,606
Acquisition of subsidiaries	–	565	912	–	1,477
Disposal of subsidiaries	–	(309)	(383)	(354)	(1,046)
Disposals	–	(540)	(5,040)	–	(5,580)
At 31 December 2001	<u>40,964</u>	<u>17,491</u>	<u>3,986</u>	<u>150</u>	<u>62,591</u>
Accumulated depreciation:					
At beginning of year	4,771	5,034	6,795	126	16,726
Exchange adjustments	–	(6)	(7)	(8)	(21)
Provided during the year	741	2,437	664	87	3,929
Acquisition of subsidiaries	–	205	284	–	489
Disposal of subsidiaries	–	(178)	(212)	(177)	(567)
Disposals	–	(291)	(4,766)	–	(5,057)
At 31 December 2001	<u>5,512</u>	<u>7,201</u>	<u>2,758</u>	<u>28</u>	<u>15,499</u>
Net book value:					
At 31 December 2001	<u>35,452</u>	<u>10,290</u>	<u>1,228</u>	<u>122</u>	<u>47,092</u>
At 31 December 2000	<u>35,393</u>	<u>12,704</u>	<u>1,131</u>	<u>251</u>	<u>49,479</u>

Notes to Financial Statements

31 December 2001

13. FIXED ASSETS *(continued)*

Company

	Office furniture and equipment <i>HK\$'000</i>
Cost:	
At beginning of year and 31 December 2001	<u>15</u>
Accumulated depreciation:	
At beginning of year	4
Provided during the year	<u>4</u>
At 31 December 2001	<u>8</u>
Net book value:	
At 31 December 2001	<u><u>7</u></u>
AT 31 December 2000	<u><u>11</u></u>

In the prior year, the net book value of the fixed assets of the Group held under finance leases included a motor vehicle amounting to HK\$251,000.

The Group's land and buildings are held under long term leases and are situated in Hong Kong.

All of the Group's land and buildings are pledged to a bank to secure banking facilities granted to the Group.

Particulars details of the Group's land and buildings are set out on page 86.

Notes to Financial Statements

31 December 2001

14. INVESTMENT PROPERTIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
At beginning of year, at valuation	172,111	30,626
Acquisition of a subsidiary	6,400	123,706
Additions – note 38(f)	230	–
Exchange adjustments	62	(75)
Surplus arising from revaluation	<u>21,207</u>	<u>17,854</u>
At 31 December, at valuation	<u>200,010</u>	<u>172,111</u>

At 31 December 2001, the Group's investment properties were revalued on an open market, existing use basis by Vigers Hong Kong Limited and Vigers (JB) Sdn. Bhd., independent registered professional surveyors. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 40 to the financial statements.

All of the Group's investment properties are pledged to secure banking facilities granted to the Group.

The Group's investment properties are situated in Hong Kong, Malaysia and the PRC, and are held under the following lease terms:

	Hong Kong	Elsewhere	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Freehold	–	160,160	160,160
Long term leases	6,000	–	6,000
Medium term leases	<u>13,570</u>	<u>20,280</u>	<u>33,850</u>
Net book value at 31 December 2001	<u>19,570</u>	<u>180,440</u>	<u>200,010</u>

Particulars details of the Group's investment properties are set out on pages 86 to 87.

Notes to Financial Statements

31 December 2001

15. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001	2000
	HK\$'000	HK\$'000
Additions, at cost and at 31 December	<u>211,513</u>	<u>–</u>

Particulars of the Group's properties under development are set out on page 87.

16. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statement. The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group	
	Goodwill	Negative goodwill
	HK\$'000	HK\$'000
Cost:		
At 1 January 2001	8,154	–
Acquisition of subsidiaries	19,802	(3,442)
Disposal of subsidiaries	<u>(7,873)</u>	<u>–</u>
At 31 December 2001	<u>20,083</u>	<u>(3,442)</u>
Accumulated amortisation/(recognition as income):		
At 1 January 2001	2,264	–
Amortisation provided/(recognised as income) during the year	3,791	(140)
Disposal of subsidiaries	<u>(3,740)</u>	<u>–</u>
At 31 December 2001	<u>2,315</u>	<u>(140)</u>
Net book value:		
At 31 December 2001	<u>17,768</u>	<u>(3,302)</u>
At 31 December 2000	<u>5,890</u>	<u>–</u>

Notes to Financial Statements

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17. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted investments, at cost	5,000	5,000
Due from subsidiaries	493,317	215,667
Loans to subsidiaries	167,248	107,787
Due to subsidiaries	(4,417)	(2,109)
	661,148	326,345
Less: Provision for impairments	(138,106)	(138,106)
	523,042	188,239

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

The loans to subsidiaries are unsecured, repayable by 31 December 2002, and bear interest at prime rate.

Particulars of the subsidiaries at the balance sheet date 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
			Direct	Indirect	
Bakeland Company Limited	Hong Kong	HK\$1,512,000	–	94.45	Property holding
Beijing Kong Sheng Property Development Limited **	The People's Republic of China	Rmb96,856,560	–	90.10	Housing development
Best Spot Investments Limited **	Hong Kong	HK\$2	–	100	Investment holding
Coin Fall Limited	Hong Kong	HK\$6,000,000	–	80	Securities brokerage

Notes to Financial Statements

31 December 2001

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
			Direct	Indirect	
Colour Choice Investments Limited	British Virgin Islands	US\$1	100	–	Investment holding
Count Wealth Investments Limited	British Virgin Islands	US\$1	100	–	Investment holding
Dual Aim Sdn. Bhd. **	Malaysia	MYR250,000	–	100	Housing development
Freedom Call Assets Limited	British Virgin Islands	US\$1	–	100	Investment holding
Great Star Associates Limited	British Virgin Islands	US\$1	100	–	Investment holding
Genesis Strategic (Holdings) Limited **	British Virgin Islands	US\$400	–	100	Investment holding
Genesis Global Strategies Limited */**	Hong Kong	HK\$2	–	100	Operation not yet commenced
Genesis Management Services Limited */**	Hong Kong	HK\$2	–	100	Operation not yet commenced
Genesis Global Ventures Limited **	British Virgin Islands	US\$100	–	100	Operation not yet commenced
Healthy Profit Enterprises Limited **	British Virgin Islands	US\$1	–	100	Operation not yet commenced
High Increase International Limited	British Virgin Islands	US\$1	100	–	Investment holding

Notes to Financial Statements

31 December 2001

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
			Direct	Indirect	
Hua Chiao Development Limited	Hong Kong	HK\$2	–	100	Investment holding
Jiang Sun Group Pte Limited *	Singapore	S\$2	–	100	Property holding
Kong Sun (China) Investment Limited	British Virgin Islands	US\$1	100	–	Investment holding
Kong Sun International Trading Limited	Hong Kong	HK\$2	–	100	Investment holding
Kong Sun Technology Limited	Hong Kong	HK\$2	–	100	Investment holding
Kong Sun Telecoms Limited	Hong Kong	HK\$2	–	100	Operation not yet commenced
Kong Sun Resources Limited	Hong Kong	HK\$2	–	100	Investment holding
Letham Limited */**	Hong Kong	HK\$500,000	–	100	Provision of consultancy services
Pacpo Hong Kong Company Limited	Hong Kong	HK\$2	100	–	Property holding
Pacpo Investments Limited	Hong Kong	US\$2	100	–	Investment holding and provision of loan finance
Peace Hill Securities Company Limited	Hong Kong	HK\$5,000,000	100	–	Investment holding

Notes to Financial Statements

31 December 2001

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
			Direct	Indirect	
Profitsun International Limited */**	Hong Kong	HK\$2	–	100	Property investment
Pioneer Heritage Sdn. Bhd.	Malaysia	MYR50,000,000	–	70	Property holding
Probuild Limited	British Virgin Islands	US\$1	100	–	Operation not yet commenced
Simply Success International Limited	British Virgin Islands	US\$1	–	100	Investment holding
Turbo Way Technology Limited	Hong Kong	HK\$40,000	–	65	IT consultancy
Techseek Limited	British Virgin Islands	US\$1	100	–	Operation not yet commenced
Win Johnson Investment Limited	Hong Kong	HK\$2	100	–	Provision of loan finance
Xswim (Holding) Limited **	British Virgin Islands	US\$1,000	–	60	Investment holding
Xswim Technology Limited **	Hong Kong	HK\$2	–	60	Sales of Computers
北京連訊維安科技有限公司 **	The People's Republic of China	Rmb1,000,000	–	60	Provision of IT technology services

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

** Acquired/incorporated during the year.

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18. INTERESTS IN ASSOCIATES

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Share of net assets	<u>54,247</u>	—	—	—
Goodwill on acquisitions of associates	57,006	—	—	—
Amortisation provided during the year	<u>(5,409)</u>	—	—	—
Unamortised goodwill	<u>51,597</u>	—	—	—
Negative goodwill on acquisitions of associates	(981)	—	—	—
Recognised as income during the year	<u>74</u>	—	—	—
Unrecognised negative goodwill	<u>(907)</u>	—	—	—
Due from associates	<u>9</u>	—	<u>9</u>	—
	<u>104,946</u>	<u>—</u>	<u>9</u>	<u>—</u>

The amounts due from the associates are unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements

31 December 2001

18. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the Group's associates at the balance sheet date 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
			Direct	Indirect	
Grandy Applied Environmental Technology Corporation ** (formerly Lotus Sea Holdings Limited)	Cayman Islands	HK\$86,667	–	20.25	Provision of environmental protection technology
China Anti-Flooding System Monitor Limited */**	Samoa	US\$1	–	50	Provision of flooding protection technology
China Environmental System Monitor Limited */**	Samoa	US\$1	–	50	Provision of environmental protection technology
Super Yield Management Company Limited */**	British Virgin Islands	US\$1,000	–	33	Investment holding

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

** *Acquired/incorporated during the year.*

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19. INTANGIBLE ASSETS

Group

	Self-developed software <i>HK\$'000</i>	Trading rights <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:			
At beginning of year	2,020	3,425	5,445
Disposal of subsidiaries	(2,020)	–	(2,020)
At 31 December 2001	–	3,425	3,425
Amortisation:			
At beginning of year	556	285	841
Provided during the year	374	343	717
Disposal of subsidiaries	(930)	–	(930)
At 31 December 2001	–	628	628
Net book value:			
At 31 December 2001	–	2,797	2,797
At 31 December 2000	1,464	3,140	4,604

20. LONG TERM INVESTMENT

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Overseas unlisted equity investment, at cost	21,982	21,982

21. DEPOSITS AND ADVANCES

The balance comprised (i) the deposit paid for the purchase of a subsidiary which is engaged in property development and the advances made to a property developer on behalf of the subsidiary for the working capital of its development project, amounting to HK\$25,271,000 (2000: HK\$25,271,000) and (ii) the deposit of HK\$31,080,000 (2000: Nil) paid for the purchase of an additional interest in the overseas unlisted equity investment, currently classified as the Group's long term investment. As these acquisitions were not completed at the balance sheet date, they have been classified as non-current assets in the financial statements.

Notes to Financial Statements

31 December 2001

22. SHORT TERM INVESTMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Hong Kong listed equity investments, at market value	<u>149</u>	<u>172</u>

23. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Finished goods	<u>2,186</u>	<u>–</u>

24. TRADE RECEIVABLES

The aged analysis of trade receivables is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Current	16,655	363
1 – 3 months	7,867	263
3 – 6 months	1,011	26
6 – 12 months	61	49
Over 1 year	<u>3,734</u>	<u>3,734</u>
	29,328	4,435
Provision	<u>(3,734)</u>	<u>(3,734)</u>
Total net of provision	<u>25,594</u>	<u>701</u>

Invoices are normally payable within 30 days of issuance. The Group seeks to maintain strict control over its outstanding receivables and has credit control procedures in place to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Notes to Financial Statements

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25. TRADE RECEIVABLES IN RESPECT OF SECURITIES TRANSACTIONS

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Trade receivables in respect of securities transactions	3,305	7,172
Provision	<u>(250)</u>	<u>(1,265)</u>
	<u>3,055</u>	<u>5,907</u>

Trade receivables in respect of securities transactions are due for settlement two days after the transaction date. Except for the balances which have been provided for, all the remaining balances are current.

26. OTHER RECEIVABLES

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Other debtors	44,658	2,219	122	274
Prepayments and deposits	989	570	5,082	55
Tax recoverable	257	—	—	—
	<u>45,904</u>	<u>2,789</u>	<u>5,204</u>	<u>329</u>

27. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cash and bank balances	15,076	12,864	80	717
Time deposits	<u>24,011</u>	<u>3,869</u>	<u>20,003</u>	<u>—</u>
	39,087	16,733	20,083	717
Less: Pledged time deposits:				
Pledged for bank overdraft facilities	<u>(24,011)</u>	<u>(3,869)</u>	<u>(20,003)</u>	<u>—</u>
Cash and cash equivalents	<u>15,076</u>	<u>12,864</u>	<u>80</u>	<u>717</u>

Notes to Financial Statements

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28. TRADE AND BILLS PAYABLES

An aged analysis of trade and bills payables as at the balance sheet date, based on payment due date, is as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Current	18,496	–
1 – 3 months	10,427	–
4 – 6 months	270	–
Over 6 months	594	–
	<u>29,787</u>	<u>–</u>

29. TRADE PAYABLES IN RESPECT OF SECURITIES TRANSACTIONS

An aged analysis of trade payables is as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
1 – 3 months	<u>2,559</u>	<u>3,690</u>

30. OTHER PAYABLES AND ACCRUALS

	Note	Group		Company	
		2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Accruals		22,606	6,957	5,173	1,437
Deposits received		435	2,528	–	–
Due to a director	31	<u>3,661</u>	<u>4,132</u>	<u>3,870</u>	<u>4,024</u>
		<u>26,702</u>	<u>13,617</u>	<u>9,043</u>	<u>5,461</u>

31. DUE TO A DIRECTOR

The amount due to a director is unsecured, interest-free and has no fixed terms of repayment.

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32. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Notes	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank overdrafts, secured		24,922	2,092	24,922	2,003
Current portion of finance lease payables	33	–	26	–	–
Current portion of bank loans and other loan	34	3,596	1,875	3,596	792
		<u>28,518</u>	<u>3,993</u>	<u>28,518</u>	<u>2,795</u>

33. FINANCE LEASE PAYABLES

At the balance sheet date, the total future minimum lease payments under finance leases and their present values, were as follows:

Group	Minimum lease payments 2001 HK\$'000	Minimum lease payments 2000 HK\$'000	Present value of minimum lease payments 2001 HK\$'000	Present value of minimum lease payments 2000 HK\$'000
Amounts payable:				
Within one year	–	26	–	24
In the second year	–	26	–	22
In the third to fifth years, inclusive	–	77	–	63
After five years	–	40	–	30
Total minimum finance lease payments	–	169	–	139
Future finance charges	–	(30)		
Total net finance lease payables	–	139		
Portion classified as current liabilities – note 32	–	(26)		
Long term portion	–	113		

Notes to Financial Statements

31 December 2001

33. FINANCE LEASE PAYABLES (continued)

SSAP 14 was revised and implemented during the year, as detailed in note 2 to the financial statements. Certain new disclosures are required and have been included above. The prior year comparative amounts for the new disclosures have also been included where appropriate.

34. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS

	Note	Group		Company	
		2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans, secured		24,258	18,000	24,258	18,000
Other loan, secured		104,000	26,004	–	–
		128,258	44,004	24,258	18,000
Bank loans repayable:					
Within one year or on demand		3,596	792	3,596	792
In the second year		3,958	879	3,958	879
In the third to fifth years, inclusive		7,146	3,261	7,146	3,261
After five years		9,558	13,068	9,558	13,068
		24,258	18,000	24,258	18,000
Other loan repayable:					
Within one year or on demand		–	1,083	–	–
In the second year		104,000	13,002	–	–
In the third to fifth years, inclusive		–	11,919	–	–
		104,000	26,004	–	–
		128,258	44,004	24,258	18,000
Portion classified as current liabilities	32	(3,596)	(1,875)	(3,596)	(792)
Long term portion, secured		124,662	42,129	20,662	17,208

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34. INTEREST-BEARING BANK LOANS AND OTHER BORROWINGS *(continued)*

The Group's bank loans are secured by mortgages over the Group's land and buildings and investment properties situated in Hong Kong and the PRC, which had an aggregate carrying value at the balance sheet date of approximately HK\$74,272,000.

The other loan is secured by a mortgage over the Group's investment property situated in Malaysia which had an aggregate carrying value at the balance sheet date of approximately HK\$160,160,000. The other loan bears interest at 2.5% above the bankers' base lending rate in Malaysia and is repayable in full on the maturity date in 2003.

All of the Group's time deposits amounting to HK\$24,011,000 (2000: HK\$3,869,000) were pledged to secure banking facilities.

35. DEFERRED TAX

		Group	
	<i>Note</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
At 1 January		706	–
Exchange adjustment		3	–
(Credit)/charge for the year	10	<u>(208)</u>	<u>706</u>
At end of year		<u><u>501</u></u>	<u><u>706</u></u>

The principal components of the Group's provision for deferred tax and the amounts not provided for in these financial statements, are as follows:

	Group			
	Provided		Not provided	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Accelerated capital allowances	501	706	674	974
Tax losses available for future relief	–	–	<u>11,952</u>	<u>13,409</u>
	<u><u>501</u></u>	<u><u>706</u></u>	<u><u>12,626</u></u>	<u><u>14,383</u></u>

Notes to Financial Statements

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35. DEFERRED TAX *(continued)*

The benefit of any future tax relief, which arises from losses previously incurred by the Company and certain of its subsidiaries, has not been included as an asset in the balance sheet because the directors consider it prudent not to recognise the benefit until it is assured beyond reasonable doubt.

Except for the unprovided benefit of any future tax relief, the Company had no other significant unprovided deferred tax as at the balance sheet date.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

36. SHARE CAPITAL

	Company	
	2001	2000
	HK\$'000	HK\$'000
Authorised:		
4,000,000,000 (2000: 1,000,000,000) ordinary shares of HK\$0.10 each	<u>400,000</u>	<u>100,000</u>
Issued and fully paid:		
2,055,184,836 (2000: 588,003,571) ordinary shares of HK\$0.10 each	<u>205,518</u>	<u>58,800</u>

Pursuant to an ordinary resolution passed on 30 May 2001, the authorised share capital of the Company was increased from HK\$100,000,000 to HK\$200,000,000 by the creation of 1,000,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

Pursuant to an ordinary resolution passed on 9 August 2001, the authorised share capital of the Company was increased from HK\$200,000,000 to HK\$400,000,000 by the creation of 2,000,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.

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36. SHARE CAPITAL (continued)

Movements in the issued and fully paid ordinary shares during the year were as follows:

	Notes	Carrying amount HK\$'000	Number of shares (in thousand)
At 1 January 2001		58,800	588,004
Issue of consideration shares	(a)	59,157	591,572
Issue of subscription shares	(b)	87,561	875,609
At 31 December 2001		<u>205,518</u>	<u>2,055,185</u>

Notes:

- (a) Pursuant to sale and purchase agreements dated 8 December 2000, 24 April 2001, 27 June 2001, 29 June 2001 and 31 July 2001, the Company allotted and issued 6,500,000, 50,000,000, 85,000,000, 260,000,000 and 190,072,223 ordinary shares of HK\$0.10 each of the Company at HK\$0.36, HK\$0.28, HK\$0.20, HK\$0.20 and HK\$0.18 per ordinary share, respectively, amounting to HK\$119,553,000, as part of the consideration for the acquisitions of certain subsidiaries and associates.
- (b) Pursuant to the subscription agreements dated 3 May 2001, 7 June 2001 and 19 September 2001, 303,858,720, 321,750,322 and 250,000,000 fully paid ordinary shares of HK\$0.10 each of the Company were issued at subscription prices of HK\$0.22, HK\$0.20 and HK\$0.30 per ordinary share, respectively, for an aggregate cash consideration of approximately HK\$206,198,983.

Share options

With effect from 7 July 2001, the Company operates a share option scheme (the "Scheme"), further details of which are also set out under the heading "Share option scheme" in the Report of the Directors on pages 16 to 17.

During the year, the Company granted a total of 68,282,085 share options under the Scheme for a nominal consideration of HK\$1 in total per grant. The share options granted entitle the holders to subscribe for shares of the Company at any time during the period from 9 January 2002 to 8 January 2007. The subscription price per share payable upon the exercise of these options is HK\$0.17984, subject to adjustment.

At the balance sheet date, the exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 68,282,085 additional ordinary shares of HK\$0.10 each for aggregate proceeds of HK\$12,277,000 before the related share issue expenses.

Notes to Financial Statements

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36. SHARE CAPITAL (continued)

Warrants

A bonus issue of warrants was made in the proportion of one warrant for every five shares held by members on the register of members on 18 April 2000. A total of 117,600,714 warrants were issued pursuant to this bonus issue. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.10 each at an initial subscription price of HK\$0.60 per share, payable in cash and subject to adjustment, from 26 April 2000 to 25 April 2002. No warrants were exercised for the year ended 31 December 2000.

During the year, no warrants were exercised and at the balance sheet date, the Company had 117,600,714 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 117,600,714 additional ordinary shares of HK\$0.10 each for aggregate proceeds of HK\$70,560,428 before the related share issue expenses.

37. RESERVES

	Share premium account HK\$'000	General reserves HK\$'000	Investment property revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group						
At 1 January 2000	20,971	18,000	–	739	47,471	87,181
Exchange adjustments	–	–	–	(320)	–	(320)
Issue of shares	36,595	–	–	–	–	36,595
Share issue expenses	(30)	–	–	–	–	(30)
Net profit for the year	–	–	–	–	7,024	7,024
At 31 December 2000 and 1 January 2001	57,536	18,000	–	419	54,495	130,450
Exchange adjustments	–	–	–	(3,947)	–	(3,947)
Issue of shares	179,034	–	–	–	–	179,034
Share issue expenses	(1,252)	–	–	–	–	(1,252)
Surplus on revaluation	–	–	11,543	–	–	11,543
Net profit for the year	–	–	–	–	17,155	17,155
At 31 December 2001	235,318	18,000	11,543	(3,528)	71,650	332,983

Notes to Financial Statements

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37. RESERVES (continued)

	Share premium account <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
Company			
At 1 January 2000	20,971	59,427	80,398
Issue of shares	36,595	–	36,595
Share issue expenses	(30)	–	(30)
Net loss for the year	–	(11,931)	(11,931)
At 31 December 2000 and 1 January 2001	57,536	47,496	105,032
Issue of shares	179,034	–	179,034
Share issue expenses	(1,252)	–	(1,252)
Net profit for the year	–	1,790	1,790
At 31 December 2001	<u>235,318</u>	<u>49,286</u>	<u>284,604</u>
		Group	
		2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>
Profits/(losses) retained by:			
The Company and subsidiaries		72,748	54,495
Associates		(1,098)	–
		<u>71,650</u>	<u>54,495</u>

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Profit from operating activities	32,912	13,530
Interest income	(2,902)	(1,833)
Dividend income from listed investments	–	(54)
Depreciation	3,929	2,883
Amortisation of intangible assets	717	690
Amortisation of goodwill	3,791	1,631
Goodwill recognised as income	(140)	–
Loss on disposal of fixed assets	199	43
Surplus on revaluation of investment properties	(220)	(11,386)
Gain on disposal of short term investments	–	(10,282)
Gain on disposal of a subsidiary	(22,092)	–
Loss on deemed disposal of an interest in an associate	150	–
Unrealised losses on revaluation of short term listed investments	23	1
Provision for doubtful debts	574	240
Increase in inventories	(1,791)	–
Decrease in properties held for sales	1,074	–
Increase in loans receivables	(33,061)	–
(Increase)/decrease in trade receivables	(21,023)	17,035
(Increase)/decrease in other receivables	(16,506)	7,975
Increase/(decrease) in trade payables	21,038	(14,823)
(Decrease)/increase in other payables	(3,876)	825
Net cash (outflow)/inflow from operating activities	<u>(37,204)</u>	<u>6,475</u>

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38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Acquisition of subsidiaries

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Net assets acquired:		
Fixed assets	988	13,479
Investment properties	6,400	123,706
Inventories	395	–
Properties held for sale	30,038	–
Trade receivables	2,113	239
Other receivables	2,233	–
Cash and bank balances	8,670	–
Trade payables	(7,647)	–
Other payables and accruals	(19,188)	(7,643)
Other long term loan	–	(25,875)
Minority interests	(353)	(46,981)
	<u>23,649</u>	<u>56,925</u>
Goodwill arising on acquisitions	19,802	–
	<u>43,451</u>	<u>56,925</u>
Satisfied by:		
Cash paid	10,911	–
Issue of share capital	32,540	56,925
	<u>43,451</u>	<u>56,925</u>

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

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Cash paid	(10,911)	–
Cash and bank balances acquired	8,670	–
	<u>(2,241)</u>	<u>–</u>
Net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries	<u>(2,241)</u>	<u>–</u>

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Acquisition of subsidiaries *(continued)*

The subsidiaries acquired during the year contributed HK\$3,598,000 to the Group's net operating cash flows, but had no significant impact in respect of the net returns on investments and servicing of finance, the financing activities, the investing activities and tax.

In respect of cash flows for the prior year, the subsidiary acquired during that year contributed HK\$2,103,000 to the Group's net operating cash flows, paid HK\$1,852,000 in respect of the net returns on investments and servicing of finance, but had no significant impact in respect of the financing activities, the investing activities and tax.

The subsidiaries acquired contributed HK\$110,993,000 to the Group's turnover and HK\$8,883,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2001.

The subsidiaries acquired in the prior year contributed HK\$8,965,000 to the Group's turnover and HK\$6,041,000 to the consolidated profit after tax and before minority interests for the year ended 31 December 2000.

Notes to Financial Statements

31 December 2001

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Purchase of an additional interest in a subsidiary during the year

	2001 HK\$'000
Reclassification of an interest in the subsidiary, previously accounted for as minority interest	21,597
Negative goodwill arising on acquisition	<u>(3,442)</u>
	<u>18,155</u>
Satisfied by:	
Cash paid	142
Issue of share capital	<u>18,013</u>
	<u>18,155</u>
	2001 HK\$'000
Net outflow of cash and cash equivalents in respect of the purchase of an additional interest in a subsidiary	<u>(142)</u>

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38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(d) Disposal of subsidiaries

	2001 HK\$'000
Net assets disposed of:	
Fixed assets	479
Intangible assets	1,090
Trade receivables	521
Other receivables	881
Bank overdrafts	(338)
Trade and bills payables	(29)
Other payables and accruals	(4,227)
Finance lease payables	(103)
Minority interests	501
	<u>(1,225)</u>
Unamortised goodwill disposed of	<u>4,133</u>
	2,908
Gain on disposal of subsidiaries	<u>22,092</u>
	<u><u>25,000</u></u>
Satisfied by:	
Cash receivable	<u><u>25,000</u></u>

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

	2001 HK\$'000
Bank overdrafts disposed of	<u><u>338</u></u>

Notes to Financial Statements

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38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(d) Disposal of subsidiaries *(continued)*

The subsidiaries disposed of during the year contributed HK\$365,000 to the Group's net operating cash flows, but had no significant impact in respect of the cash flows for investing activities, financing activities, net returns on investments and servicing of finance and tax.

The results of the subsidiaries disposed of during the year had no significant impact on the Group's consolidated turnover or profit after tax for the year.

(e) Analysis of changes in financing during the year:

	Issued capital (including share premium account) <i>HK\$'000</i>	Finance lease payables <i>HK\$'000</i>	Interest bearing bank loans and other loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>
Balance at 1 January 2000	59,441	174	–	5,188
Cash inflow/(outflow) from financing, net	(30)	(35)	18,129	–
Share of profit for the year	–	–	–	1,024
Share of revaluation reserve	–	–	–	6,468
Acquisition of subsidiaries	56,925	–	25,875	46,981
Dividends	–	–	–	(2,400)
	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2000 and 1 January 2001	116,336	139	44,004	57,261
Exchange adjustments	–	(8)	(4)	678
Cash inflow/(outflow) from financing, net	204,947	(28)	84,258	–
Share of profit for the year	–	–	–	3,819
Share of revaluation reserve	–	–	–	9,444
Acquisition of subsidiaries	119,553	–	–	353
Acquisition of an additional interest in a subsidiary	–	–	–	(21,597)
Disposal of subsidiaries	–	(103)	–	501
Advances from a minority shareholder	–	–	–	38,981
	<hr/>	<hr/>	<hr/>	<hr/>
	<u>440,836</u>	<u>–</u>	<u>128,258</u>	<u>89,440</u>

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (*continued*)

(f) Major non-cash transactions

- (i) As further detailed in note 36 to the financial statements, during the year, the Company issued and allotted 591,572,223 new ordinary shares of HK\$0.10 each, credited as fully paid, aggregating approximately HK\$119,553,000, as part of the consideration for the acquisitions of subsidiaries and associates.
- (ii) During the year, the Group acquired an investment property and a leasehold property at the then fair market value of HK\$230,000 and HK\$800,000, respectively, from a debtor as settlement for a loan receivable of HK\$1,030,000.

39. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities at the balance sheet date.

At the balance sheet date, the Company had contingent liabilities in respect of guarantees amounting to HK\$18,000,000 (2000: HK\$5,000,000) given to a bank for the general banking facilities granted to a subsidiary of the Company.

40. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 14 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 3 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

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	2000
	HK\$'000	HK\$'000
Within one year	8,956	7,736
In the second to fifth years, inclusive	6,881	11,167
	15,837	18,903

40. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

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

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

	2001 <i>HK\$'000</i>	Group 2000 <i>HK\$'000</i> <i>(Restated)</i>
Within one year	1,188	708
In the second to fifth years, inclusive	<u>392</u>	<u>358</u>
	<u><u>1,580</u></u>	<u><u>1,066</u></u>

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.

41. COMMITMENTS

In addition to the operating lease commitments detailed in note 40(b) above, the Group and the Company had the following commitments at the balance sheet date:

(a) Capital commitments

At 31 December 2001, the Group had contracted capital commitments amounting to HK\$53,188,000 (2000: HK\$5,924,000). Included in the contracted commitments as at 31 December 2000 was an amount of HK\$2,340,000 for the acquisition of the shares in Healthy Profit Enterprise Limited.

At the balance sheet date, the Company had no material contracted capital commitments (2000: Nil).

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31 December 2001

41. COMMITMENTS *(continued)*

(b) Other commitments

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Commitments under a non-cancellable consultancy agreement	<u>460</u>	<u>1,750</u>

42. CONNECTED AND RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in these financial statements, listed below are connected transactions disclosed in accordance with Chapter 14 of the Listing Rules and related party transactions disclosed in accordance with SSAP 20 "Related party disclosures".

The transactions referred to in items (i) to (iii) below constitute connected transactions disclosed under the Listing Rules and those referred to in all items below constitute related party transactions.

	<i>Notes</i>	Group	
		2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Proceeds received from Kong Fa for subscription of shares	<i>(i)</i>	206,199	–
Acquisition of a 15% (2000: 55%) interest in Pioneer Heritage Sdn. Bhd. ("Pioneer") from Kong Sun Enterprise Sdn. Bhd. ("KSE")	<i>(ii)</i>	18,013	56,925
Acquisition of all the issued shares in Dual Aim Sdn. Bhd. ("Dual Aim") from KSE	<i>(iii)</i>	16,200	–
Rental subsidy receivable from Mr. and Mrs. Kong	<i>(iv)</i>	231	817
Management fees received from Equal Gain Sdn. Bhd. ("Equal Gain") in which KSE has a controlling equity interest	<i>(v)</i>	–	398
Management fees payable to Equal Gain	<i>(vi)</i>	<u>499</u>	<u>499</u>

42. CONNECTED AND RELATED PARTY TRANSACTIONS (*continued*)

Notes:

- (i) On 3 May 2001, the Company entered into a placing and subscription agreement pursuant to which Kong Fa, a substantial shareholder of the Company, placed 60,000,000 existing ordinary shares of the Company to independent professional and institutional investors at a price of HK\$0.22 per share. On the same date, the Company issued and allotted 303,858,720 new ordinary shares to Kong Fa at the same placing price. The transaction was completed on 1 June 2001. Details of the transaction were also set out in the Company's circular dated 14 May 2001.

On 7 June 2001, the Company entered into a placing and subscription agreement with Kong Fa and Coin Fall Limited ("Coin Fall"), a subsidiary of the Company. Under this agreement, Kong Fa through Coin Fall placed 100,000,000 existing ordinary shares of the Company to independent professional and institutional investors at a price of HK\$0.20 per share. On the same date, the Company issued and allotted 321,750,322 new ordinary shares to Kong Fa at the same placing price. The transaction was completed on 18 July 2001. Details of the transaction were also set out in the Company's circular dated 22 June 2001.

On 19 September 2001, the Company entered into a placing and subscription agreement with Kong Fa pursuant to which Kong Fa placed 50,000,000 existing ordinary shares of the Company to independent professional and institutional investors at a price of HK\$0.30 per share. On the same date, the Company issued and allotted 250,000,000 new ordinary shares to Kong Fa at the same placing price. The transaction was completed on 26 October 2001. Details of the transaction were also set out in the Company's circular dated 9 October 2001.

- (ii) On 31 July 2001, the Group entered into a conditional sale and purchase agreement with KSE, a Malaysian company wholly-owned by Mr. Kong Look Sen ("Mr. Kong"), a director of the Company and his immediate family, to acquire an additional 15% interest in Pioneer at a consideration of HK\$18,013,000, which was satisfied by the issue and allotment of 100,072,223 new ordinary shares of HK\$0.10 each by the Company at a price of HK\$0.18 per share. The transaction was completed on 19 October 2001. Details of the transaction were also set out in the Company's circular dated 20 September 2001.

In the prior year, the Group acquired from KSE a 55% interest in Pioneer at a consideration of HK\$56,925,000, which was satisfied by the issue and allotment of 203,303,571 new ordinary shares of HK\$0.10 each by the Company at a price of HK\$0.28 per share.

- (iii) On 31 July 2001, the Group entered into a conditional sale and purchase agreement with KSE to acquire the entire equity interest in Dual Aim at a consideration of HK\$16,200,000, which was satisfied by the issue and allotment of 90,000,000 new ordinary shares of HK\$0.10 each by the Company at a price of HK\$0.18 per share. The transaction was completed on 19 October 2001. Details of the transaction were also set out in the Company's circular dated 20 September 2001.
- (iv) In 1999, the Group acquired all the issued shares in a subsidiary from Mr. Kong and his immediate family who guaranteed the Group that the annual rental yield deriving from the property held by the subsidiary would not be less than 8% per annum for two years commencing from the date of the completion of the acquisition. Accordingly, a rental subsidy of HK\$231,000 (2000: HK\$817,000) is receivable from Mr. and Mrs. Kong for the shortfall, as accrued at the balance sheet date, and is included in other receivables.
- (v) In the prior year, certain employees of the Group provided management services to Equal Gain and management fees were received based on their costs plus a mark-up.
- (vi) Monthly management service fee of MYR20,000 is paid to Equal Gain for the marketing and management services provided to a subsidiary of the Group in Malaysia.

43. POST BALANCE SHEET EVENTS

On 4 February 2002, a conditional placing and subscription agreement was entered into between the Company, Kong Fa and a wholly-owned subsidiary of Beijing Enterprises Holdings Limited ("Beijing Enterprises"), a company incorporated and publicly listed in Hong Kong. Pursuant to the agreement, Kong Fa agreed to place 100,000,000 existing ordinary shares of the Company to Beijing Enterprises; and to subscribe for 300,000,000 new ordinary shares of the Company, both at HK\$0.32 per share. The subscription of shares by Kong Fa constituted a connecting transaction under the Listing Rules. The transaction was completed on 26 March 2002. Details of the transaction were also set out in the Company's circular dated 27 February 2002.

44. 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.

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2002.