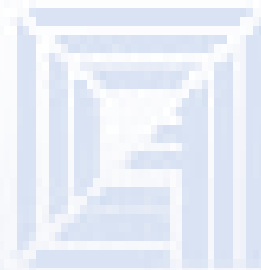


# Notes to Financial Statements

31 December 2001



## I. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following issued and revised Statements of Standard Accounting Practice (“SSAPs”) and related Interpretations are effective and have been adopted for the first time in the preparation of the current year’s consolidated financial statements, together with a summary of their major effects:

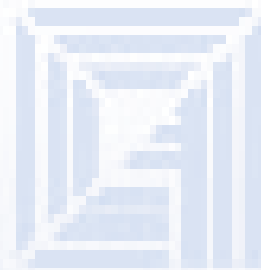
- SSAP 9 (Revised): “Events after the balance sheet date”
- SSAP 14 (Revised): “Leases”
- SSAP 26: “Segment reporting”
- SSAP 28: “Provisions, contingent liabilities and contingent assets”
- SSAP 29: “Intangible assets”
- SSAP 30: “Business combinations”
- SSAP 31: “Impairment of assets”
- SSAP 32: “Consolidated 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:

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. This SSAP has had no major impact on these financial statements.

# Notes to Financial Statements

31 December 2001



## I. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Cont'd)*

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 operating leases, which are further detailed in note 32 to the financial statements.

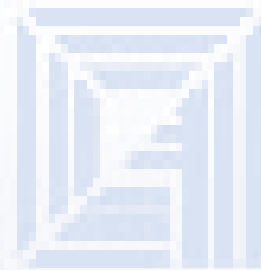
SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information 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.

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. This 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. This SSAP has had no major impact on these financial statements.

# Notes to Financial Statements

31 December 2001



## I. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Cont'd)*

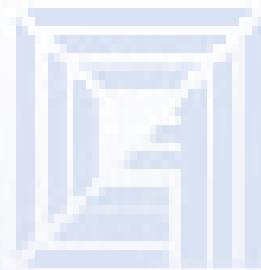
SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires 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 2 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 13 has not resulted in a prior year adjustment as the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively. Further details of the Group's goodwill are set out in notes 15 and 29 to the financial statements.

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

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

# Notes to Financial Statements

31 December 2001



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### **Basis of accounting**

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and short term investments, as further explained below.

### **Basis of consolidation**

The consolidated financial statements include the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

### **Subsidiaries**

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

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

### **Associates**

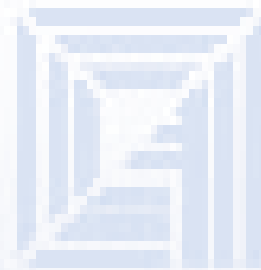
An associate is a company, not being a subsidiary, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

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 or deficiency of net assets if the Group continues to support the associates, 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 stated at cost less any impairment losses.

# Notes to Financial Statements

31 December 2001



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Joint ventures

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 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.

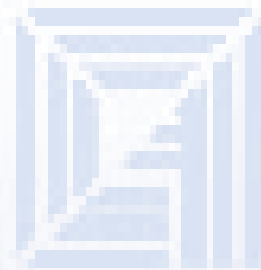
The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities are stated in the consolidated balance sheet at the Group's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

Joint venture arrangements which involve the use of the assets and other reserves of the Group and other parties, without the establishment of a separate entity are referred to as jointly-controlled operations. Under this arrangement, assets remain under the ownership and control of each party. Revenue and expenses incurred in common are shared by the parties according to the contractual arrangement.

Assets that the Group controls and liabilities that it incurs in relation to jointly-controlled operations are recognised in the Group's consolidated balance sheet on an accrual basis and classified according to the nature of the item. The Group's share of the income that it earns from jointly-controlled operations together with expenses that it incurs are included in the Group's consolidated profit and loss account when it is probable that the economic benefits associated with the transactions will flow to/from the Group.

# Notes to Financial Statements

31 December 2001



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Goodwill

Goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities 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 3 to 10 years. In the case of associates and jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

On disposal of subsidiaries, associates or jointly-controlled entities, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

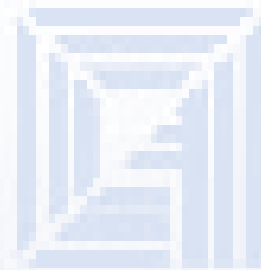
The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a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

### Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities 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.

# Notes to Financial Statements

31 December 2001



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Negative goodwill (Cont'd)

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.

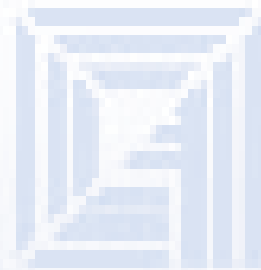
In the case of associates and jointly-controlled entities, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

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

On disposal of subsidiaries, associates or jointly-controlled entities, 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. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

# Notes to Financial Statements

31 December 2001



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

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

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

### Fixed assets and depreciation

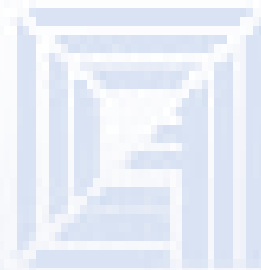
Fixed assets, other than investment properties and construction in progress, are stated at cost less accumulated depreciation and any impairment losses.

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.



# Notes to Financial Statements

31 December 2001



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Fixed assets and depreciation (Cont'd)

Depreciation is calculated on the straight-line basis to write off the cost of each asset over the following estimated useful lives:

Land	Over the terms of the leases
Buildings	50 years or over the terms of the leases, whichever is shorter
Plant and machinery	10 years
Furniture, fixtures and office equipment	4 years
Motor vehicles	5 years

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

Construction in progress represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to appropriate category of fixed assets when completed and ready for use.

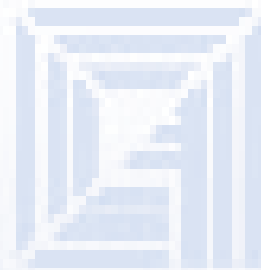
### Investment properties

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. 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. Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, the surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

# Notes to Financial Statements

31 December 2001



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Investment properties (Cont'd)

When deposits paid for investment properties are reclassified as investment properties, the carrying values of the properties as stated under their original classification are deemed to be their costs for the purpose of their revised classification.

### Property under development

Property under development intended for resale is stated at the lower of cost and net realisable value which is estimated by the directors based on prevailing market conditions. Cost includes the cost of land, construction, borrowing costs capitalised and other related expenses.

Property under development intended for other purposes is stated at cost, including borrowing costs capitalised, less any provision for impairment.

### Completed properties held for sale

Completed properties held for sale are stated at the lower of cost and net realisable value.

When properties previously classified as investment properties are reclassified as completed properties held for sale, the carrying values of the properties as stated under their original classification are deemed to be their costs for the purpose of their revised classification.

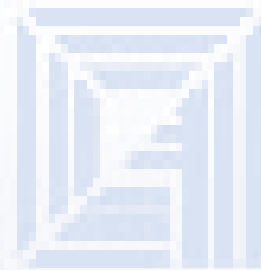
### Long term investments

Long term investments are non-trading investments in unlisted equity securities intended to be held on a long term basis.

Long term investments are stated at cost less any provisions for diminutions in values other than those considered to be temporary in nature. The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether fair values have declined below the carrying amounts. When a decline other than those considered to be temporary in nature has occurred, the carrying amount of such investments is reduced to its fair value. The amount of the reduction is recognised as an expense in the profit and loss account for the period in which it arises.

# Notes to Financial Statements

31 December 2001



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Short term investments

Short term investments are investments in listed 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, costs of conversion 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 further costs expected to be incurred to completion and disposal.

### Leased assets

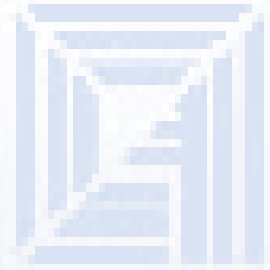
Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased asset is capitalised at the present value of the minimum lease payments and is recorded 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 are 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 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 completed properties held for sale 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.

# Notes to Financial Statements

31 December 2001



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences in the recognition of revenue and expenses for tax and for financial reporting purposes, 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.

### 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 subsidiaries, associates and joint ventures outside Hong Kong 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.

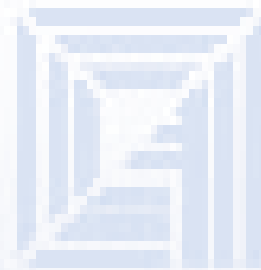
### Pension costs

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries or the maximum mandatory contribution as required by the MPF Scheme and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

The Company's subsidiaries in the People's Republic of China except Hong Kong (the "PRC") are members of the state-managed retirement benefits scheme operated by the PRC government. The retirement scheme contributions, which are based on a certain percentage of the salaries of the PRC subsidiaries' employees, are charged to the profit and loss account in the period to which they relate and represent the amount of contributions payable by these subsidiaries to this scheme.

# Notes to Financial Statements

31 December 2001



## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

### Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or to 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.

### 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:

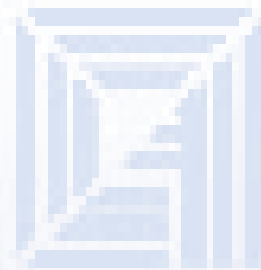
- (a) from the sale of goods, properties and short term listed equity investments, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods, properties and short term listed equity investments sold;
- (b) rental income under operating leases, on a straight-line basis over the terms of the rental agreements;
- (c) from the provision of services, when such services are rendered;
- (d) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (e) dividend income, when the shareholders' right to receive payments is established.

### 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, other financial institutions and third parties repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent cash, bank balances and deposits which are not restricted as to use.

# Notes to Financial Statements

31 December 2001



## 3. CORPORATE INFORMATION AND RELATED PARTY TRANSACTIONS

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

- manufacture and sale of high-tech computers and servers
- property investment, development and trading
- ophthalmology treatments
- investment holding
- provision of financial services
- securities trading

During the year, the Group entered into the following related party transaction.

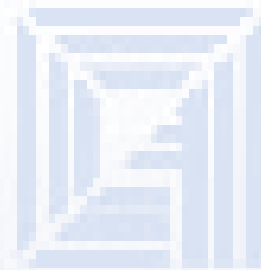
### **Acquisition of 100% equity interests in a group of subsidiaries partially owned by Shenzhen Investment Holding Corporation**

On 8 March 2001, a conditional sale and purchase agreement was entered into between Shenzhen Investment Holding Corporation ("SIHC") and certain third parties (collectively referred to as the "Vendors"), and the Company. SIHC is the controlling shareholder of Shenzhen International Holdings Limited ("SIHL") which, in turn, is a substantial shareholder of the Company. Pursuant to this agreement, the Company agreed to purchase and the Vendors agreed to sell the entire equity interests in Dawning Information Industry Company Limited ("Dawning") and its subsidiaries for a consideration of RMB215 million (approximately HK\$201 million). The purchase consideration is determined with reference to the adjusted pro forma net asset value of Dawning as at 30 June 2000 of approximately RMB205 million (approximately HK\$191 million) prepared in accordance with PRC accounting standards. The purchase consideration was subject to downward adjustment if the consolidated audited net asset value of Dawning and its subsidiaries at the date of completion was below RMB193.5 million (approximately HK\$181 million) based on PRC accounting standards. This condition was subsequently met, therefore no downward adjustment to the purchase consideration was required.

Dawning was founded in June 1995 in the PRC and is principally engaged in the production of high-tech computers and servers. Further details of the acquisition of Dawning are set out in notes 27, 28 and 30 to the financial statements and a circular to shareholders of the Company dated 29 March 2001.

# Notes to Financial Statements

31 December 2001



## 3. CORPORATE INFORMATION AND RELATED PARTY TRANSACTIONS *(Cont'd)*

### **Acquisition of 100% equity interests in a group of subsidiaries partially owned by Shenzhen Investment Holding Corporation *(Cont'd)***

Part of the consideration of RMB107,500,000 (approximately HK\$100,467,000) for the acquisition was satisfied by the allotment and issue of 516,541,335 ordinary shares of US\$0.025 each of the Company at HK\$0.1945 per share and the remaining balance of RMB107,500,000 (approximately HK\$100,467,000) was satisfied by the issue of non-interest bearing convertible notes with a maturity of 2 years ("Convertible Notes"). Terms of the Convertible Notes are detailed in note 27 to the financial statements.

This related party transaction also constitutes a connected transaction as defined under the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

## 4. SEGMENT INFORMATION

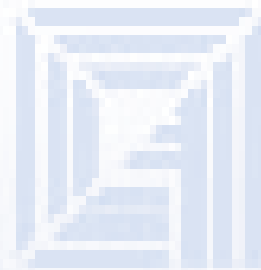
SSAP 26 was adopted during the year, as detailed in note 1 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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 high-tech computers and servers manufacturing segment produces high-tech computers and servers;
- (b) the property investment, development and trading segment invests in properties in Hong Kong and the PRC;
- (c) the ophthalmology treatments segment provides various ophthalmology treatment services in the PRC; and
- (d) the others segment comprises the Group's financial services, securities trading and other businesses.

# Notes to Financial Statements

31 December 2001



## 4. SEGMENT INFORMATION (Cont'd)

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 transfer are transacted at mutually agreed prices.

### (a) Business segments

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

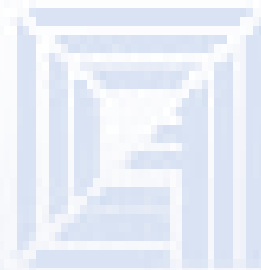
#### Group

	High-tech computers and servers manufacturing		Property investment, development and trading		Ophthalmology treatments		Others		Eliminations		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	128,652	—	21,327	26,145	2,037	972	5,561	30	—	—	157,577	27,147
Intersegment sales	—	—	—	—	—	—	996	94	(996)	(94)	—	—
Other revenue	680	—	5,888	698	31,080	875	3,369	1,234	—	—	41,017	2,807
<b>Total</b>	<b>129,332</b>	<b>—</b>	<b>27,215</b>	<b>26,843</b>	<b>33,117</b>	<b>1,847</b>	<b>9,926</b>	<b>1,358</b>	<b>(996)</b>	<b>(94)</b>	<b>198,594</b>	<b>29,954</b>
Segment results	4,766	—	(340)	(124,577)	23,068	(55,469)	4,230	723	(996)	(94)	30,728	(179,417)
Unallocated other revenue											3,712	3,085
Unallocated expenses											(13,538)	(10,812)
Profit/(loss) from operating activities											20,902	(187,144)
Finance costs											(96)	(22,443)
Share of profits less losses of:												
Associates											(40)	(25)
Jointly-controlled entities											(20)	—
Profit/(loss) before tax											20,746	(209,612)
Tax											(4,097)	(47)
Net profit/(loss) from ordinary activities attributable to shareholders											16,649	(209,659)



# Notes to Financial Statements

31 December 2001



## 4. SEGMENT INFORMATION (Cont'd)

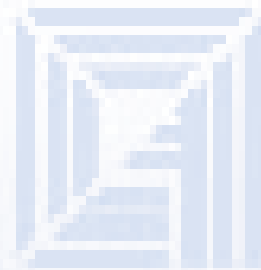
### (a) Business segments (Cont'd)

#### Group (Cont'd)

	High-tech computers and servers manufacturing		Property investment, development and trading		Ophthalmology treatments		Others		Eliminations		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 assets	359,842	—	191,030	184,067	54,741	15,525	67,679	11,403	—	—	673,292	210,995
Interests in associates	2,231	—	—	—	—	—	76	114	—	—	2,307	114
Interests in jointly-controlled entities	—	—	—	—	—	—	14,248	—	—	—	14,248	—
Unallocated assets											127,037	116,272
<b>Total assets</b>											<b>816,884</b>	<b>327,381</b>
Segment liabilities	59,250	—	40,486	42,895	1,060	1,390	681	1,132	—	—	101,477	45,417
Unallocated liabilities											126,607	5,310
<b>Total liabilities</b>											<b>228,084</b>	<b>50,727</b>
Other segment information:												
Depreciation	702	—	63	74	876	740	—	—	—	—	1,641	814
Unallocated depreciation											707	96
Amortisation of goodwill	7,519	—	—	—	—	—	297	—	—	—	7,816	—
Impairment losses recognised in the profit and loss account	—	—	400	93,419	5,000	53,879	—	—	—	—	5,400	147,298
Other non-cash expenses	4,922	—	—	6,687	—	—	—	—	—	—	4,922	6,687
Capital expenditure	202,754	—	75	77	1,091	12,941	—	—	—	—	203,920	13,018
Unallocated capital expenditure											36,673	234

# Notes to Financial Statements

31 December 2001



## 4. SEGMENT INFORMATION (Cont'd)

### (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		Consolidated	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

#### Segment revenue:

Sales to external customers	5,758	23,027	151,819	4,120	157,577	27,147
-----------------------------	-------	--------	---------	-------	---------	--------

Segment results*	(6,716)	(48,231)	27,618	(138,913)	20,902	(187,144)
------------------	---------	----------	--------	-----------	--------	-----------

	Hong Kong		Elsewhere in the PRC		Consolidated	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000

#### Other segment

##### information:

Segment assets	222,664	141,469	594,220	185,912	816,884	327,381
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Capital expenditure	35,826	234	204,767	13,018	240,593	13,252
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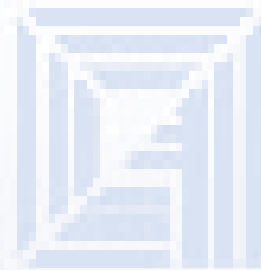
\* disclosed pursuant to the requirements of the Listing Rules.

## 5. TURNOVER

Turnover represents sales, less returns and sales tax, in respect of the Group's sales of goods, properties and short term listed equity investments, ophthalmology treatments, gross rental income, interest income and fee income.

# Notes to Financial Statements

31 December 2001



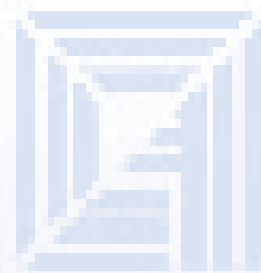
## 6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Cost of goods sold	103,688	107,535
Cost of services provided	3,770	1,412
Depreciation	2,348	910
Auditors' remuneration	750	750
Staff costs (including directors' remuneration — note 8)		
Wages and salaries	10,556	5,282
Pension contributions	80	—
	<b>10,636</b>	<b>5,282</b>
Minimum lease payments under operating leases on land and buildings	4,263	1,907
Loss/(gain) on disposal of fixed assets	564	(2)
Loss on disposal of investment properties	112	12,796
Loss/(gain) on disposal of a subsidiary	(30,809)	1,654
Provisions for inventories	3,395	—
Provisions for bad and doubtful trade receivables	1,527	—
Deficit on revaluation of investment properties	—	6,687
Provisions/(write back of provisions) for impairment of deposits paid for investment properties**	(1,000)	4,700
Provisions for impairment of property under development**	400	3,600
Goodwill:		
Amortisation for the year*	7,816	—
Impairment arising during the year*	5,000	53,879
	<b>12,816</b>	<b>53,879</b>

# Notes to Financial Statements

31 December 2001



## 6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (Cont'd)

	Group	
	2001 HK\$'000	2000 HK\$'000
Net realised gains on trading of short term listed equity investments	(1,035)	—
Net unrealised holding gains less losses on short term listed equity investments	(1,088)	(1,117)
Provisions/(write back of provisions) for impairment of completed properties held for sale	(5,050)	85,119
Write back of provision against doubtful loan receivable	(2,230)	—
Bank interest income	(4,610)	(2,811)
Loan interest income	(2,439)	—
Gross rental income	(5,766)	(5,434)
Less: outgoings	2,518	3,844
Net rental income	(3,248)	(1,590)
Exchange losses/(gains), net	(18)	7

\* The amortisation and impairment of goodwill for the year are included in "Other operating expenses" on the face of the Group's consolidated profit and loss account.

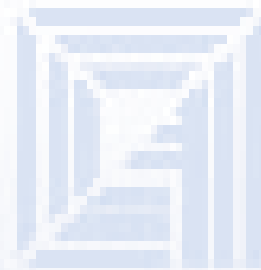
\*\* The provisions for impairment of deposits paid for investment properties and property under development for the year ended 31 December 2000 were included in "Other operating expenses" on the face of the Group's consolidated profit and loss account.

## 7. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on bank overdrafts and bank loans	71	17,467
Interest on other loans wholly repayable within five years	—	4,835
Interest on other loans not wholly repayable within five years	25	137
Interest on finance leases	—	4
Total finance costs	96	22,443

# Notes to Financial Statements

31 December 2001



## 8. DIRECTORS'/EMPLOYEES' REMUNERATION

Details of the remuneration of the Company's directors pursuant to Appendix 16 of the Listing Rules and Section 161 of the Hong Kong Companies Ordinance are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Fees:		
Executive	500	325
Independent non-executive	438	185
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	2,460	2,028
Pension contributions	—	—
	<b>3,398</b>	<b>2,538</b>

The remuneration of the directors of the Company fell within the following bands:

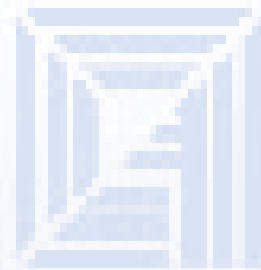
	2001	2000
	Number of directors	Number of directors
Nil — HK\$1,000,000	6	10
HK\$1,500,001 — HK\$2,000,000	1	—

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

During the year, no emoluments were paid by the Group to the directors as an inducement to join, or upon joining the Group, or as compensation for loss of office.

# Notes to Financial Statements

31 December 2001



## 8. DIRECTORS'/EMPLOYEES' REMUNERATION (Cont'd)

In addition to the above remuneration, a total of 138,660,000 share options were granted to the directors in respect of their services to the Group and the Company, further details of which are set out under the headings "Directors' rights to acquire shares or debentures" and "Share option scheme" in the Report of the Directors and in note 28 to the financial statements. In the absence of a readily available market value for share options on the ordinary shares in the Company, the directors were unable to arrive at an accurate estimated monetary value of the share options granted. Accordingly, no value has been included in the directors' remuneration in respect of the share options granted during the year.

Of the five highest paid employees, three (2000: four) were directors of the Company. The remuneration of the remaining two (2000: one) non-director, highest paid employees pursuant to Appendix 16 of the Listing Rules was as follows:

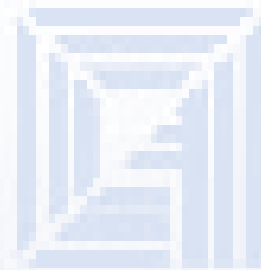
	Group	
	2001	2000
	HK\$'000	HK\$'000
Salaries and allowances and benefits in kind	1,370	410
Pension contributions	24	—
	<b>1,394</b>	410

The remuneration of the remaining two (2000: one) non-director, highest paid employees fell within the following band:

	2001	2000
	Number of employees	Number of employees
Nil — HK\$1,000,000	2	1

# Notes to Financial Statements

31 December 2001



## 8. DIRECTORS'/EMPLOYEES' REMUNERATION (Cont'd)

In addition to the above remuneration, a total of 13,500,000 share options were granted to the two non-director, highest paid employees in respect of their services to the Group and the Company, further details of which are set out in note 28 to the financial statements. In the absence of a readily available market value for share options on the ordinary shares in the Company, the directors were unable to arrive at an accurate estimated monetary value of the share options granted. Accordingly, no value has been included in the two non-director, highest paid employees' remuneration in respect of the share options granted during the year.

No value in respect of the share options granted during the year has been charged to the profit and loss account.

## 9. TAX

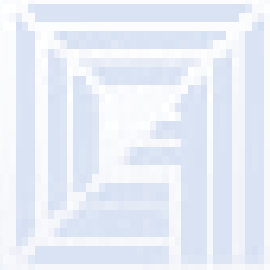
No provision for Hong Kong profits tax has been provided as the Group did not generate any assessable profits arising in Hong Kong during the year (2000: nil). Taxes on profits assessable outside Hong Kong have been calculated at the rates of tax prevailing in the jurisdictions in which the Group operate based on existing legislation, interpretations and practices in respect thereof.

A subsidiary of the Company operating in the PRC was exempted from income tax in the PRC on 1 September 1996 for three years and was thereafter entitled to 50% relief from income tax for the following three years under the Income Tax Law of the PRC.

	Group	
	2001	2000
	HK\$'000	HK\$'000
Group:		
Hong Kong	—	—
The PRC	1,626	47
Under-provision in prior years	2,270	—
	<b>3,896</b>	47
Share of tax attributable to:		
A jointly-controlled entity	201	—
Tax charge for the year	<b>4,097</b>	47

# Notes to Financial Statements

31 December 2001



## 9. TAX (Cont'd)

The Group's unrecognised deferred tax assets at the balance sheet date in respect of estimated tax losses amounted to approximately HK\$64,474,000 (2000: HK\$66,589,000). There are no other significant potential deferred tax assets or liabilities for which provision has not been made for the Group and the Company.

## 10. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$9,570,000 (2000: HK\$271,584,000).

## 11. EARNINGS/(LOSS) PER SHARE

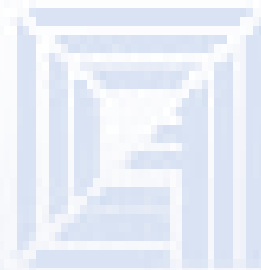
The calculation of basic earnings/(loss) per share is based on the Group's net profit from ordinary activities attributable to shareholders for the year of HK\$16,649,000 (2000: net loss from ordinary activities attributable to shareholders of HK\$209,659,000) and the weighted average of 5,794,981,000 shares (2000: weighted average of 4,314,179,000 shares) in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$16,649,000. The weighted average number of shares used in the calculation is 5,794,981,000 shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 6,442,000 shares assumed to have been issued at no consideration in the deemed exercise of all share options during the year. No diluted loss per share is shown for the year ended 31 December 2000 as the effect of the Company's share options outstanding during the year ended 31 December 2000 was anti-dilutive.



# Notes to Financial Statements

31 December 2001

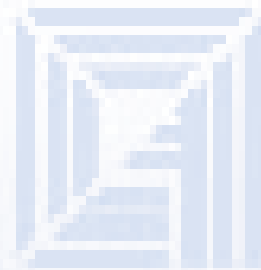


## 12. FIXED ASSETS

Group	Land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost:						
At beginning of year	—	12,232	2,900	185	—	15,317
Acquisition of subsidiaries	437	5,556	58	935	10,991	17,977
Additions	33,150	1,818	3,505	3,106	52,132	93,711
Disposals	—	(376)	(2,278)	(1)	—	(2,655)
Disposal of a subsidiary	—	(7,595)	(153)	—	—	(7,748)
Exchange realignments	4	52	1	8	98	163
At 31 December 2001	33,591	11,687	4,033	4,233	63,221	116,765
Accumulated depreciation:						
At beginning of year	—	674	1,891	10	—	2,575
Provided during the year	404	1,179	534	231	—	2,348
Disposals	—	(128)	(1,876)	(1)	—	(2,005)
Disposal of a subsidiary	—	(605)	(16)	—	—	(621)
At 31 December 2001	404	1,120	533	240	—	2,297
Net book value:						
At 31 December 2001	33,187	10,567	3,500	3,993	63,221	114,468
At 31 December 2000	—	11,558	1,009	175	—	12,742

# Notes to Financial Statements

31 December 2001



## 12. FIXED ASSETS (Cont'd)

The leasehold land and buildings of the Group are analysed as follows:

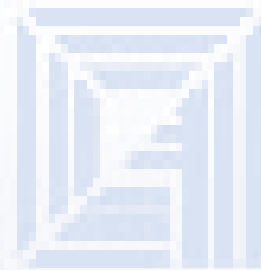
	Group	
	2001 HK\$'000	2000 HK\$'000
Situated in Hong Kong with long term leases	33,150	—
Situated outside Hong Kong with unspecified lease term	441	—
	<b>33,591</b>	<b>—</b>

### Company

	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:			
Additions	283	2,656	2,939
Disposals	(56)	—	(56)
Transfer from a subsidiary	345	—	345
At 31 December 2001	572	2,656	3,228
Accumulated depreciation:			
Provided during the year and at 31 December 2001	75	151	226
Net book value:			
At 31 December 2001	497	2,505	3,002
At 31 December 2000	—	—	—

# Notes to Financial Statements

31 December 2001



## 13. INVESTMENT PROPERTIES AND DEPOSITS PAID FOR INVESTMENT PROPERTIES

### Investment properties

	Group	
	2001	2000
	HK\$'000	HK\$'000
At valuation:		
At beginning of year	—	230,016
Transfer from deposits paid for investment properties	4,700	—
Disposal of a subsidiary	—	(123,000)
Disposals	(4,700)	(71,529)
Transfer to completed properties held for sale	—	(28,800)
Deficit on revaluation	—	(6,687)
At end of year	—	—

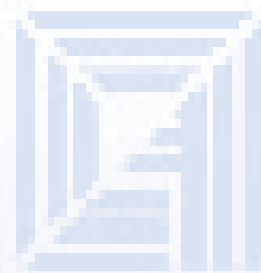
### Deposits paid for investment properties

	Group	
	2001	2000
	HK\$'000	HK\$'000
At cost:		
At beginning of year	18,500	23,200
Transfer to investment properties	(4,700)	—
Write back of provisions/(provisions) for impairment	1,000	(4,700)
At end of year	14,800	18,500

The investment properties were situated in Shanghai, the PRC and were held under long term leases.

# Notes to Financial Statements

31 December 2001



## 14. PROPERTY UNDER DEVELOPMENT

	Group	
	2001	2000
	HK\$'000	HK\$'000
At beginning of year	6,000	9,600
Provisions for impairment	(400)	(3,600)
At end of year	5,600	6,000

The property under development is situated in Hong Kong and is held under a medium term lease.

## 15. GOODWILL AND NEGATIVE GOODWILL

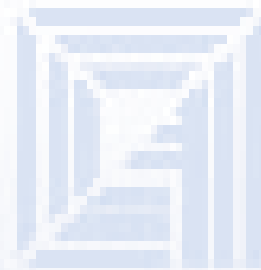
SSAP 30 was adopted during the year, as detailed in note 1 to the financial statements. The amount of the goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Cost:		
Acquisition of subsidiaries during the year and balance at end of year	128,905	—
Accumulated amortisation:		
Amortisation provided during the year and balance at end of year	7,519	—
Net book value:		
At end of year	121,386	—

As detailed in note 2 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves or credited to the capital reserve, respectively.

# Notes to Financial Statements

31 December 2001



## 15. GOODWILL AND NEGATIVE GOODWILL (Cont'd)

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against consolidated reserves for impairment. As a result, the Group has recognised an impairment of part of the goodwill previously eliminated against consolidated reserve of HK\$5,000,000, during the year (note 29) as detailed in the table below.

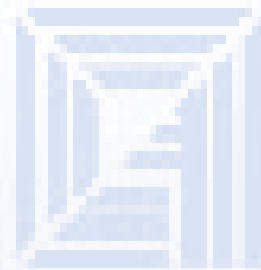
The change of accounting policy has been accounted for prospectively and has no material impact on the amount of goodwill previously recorded.

The amounts of the goodwill and negative goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries prior to 1 January 2001, are as follows:

	Group	
	Goodwill eliminated against consolidated reserves	Negative goodwill credited to capital reserve
	HK\$'000	HK\$'000
Cost:		
At beginning of year	117,121	(14,142)
Accumulated impairment:		
At beginning of year	53,879	—
Impairment provided during the year	5,000	—
At 31 December 2001	58,879	—
Net amount:		
At 31 December 2001	58,242	(14,142)
At 31 December 2000	63,242	(14,142)

# Notes to Financial Statements

31 December 2001



## 16. LONG TERM INVESTMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Non-trading unlisted equity investments, at cost	7,742	7,742
Provisions for impairment	(7,742)	(7,742)
	—	—

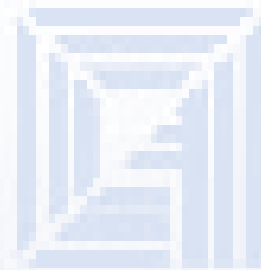
## 17. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	4,991	4,991
Due from subsidiaries	1,591,602	1,179,168
Due to subsidiaries	(35,623)	(37,831)
	1,560,970	1,146,328
Provisions for impairment	(982,811)	(982,811)
	578,159	163,517

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

# Notes to Financial Statements

31 December 2001



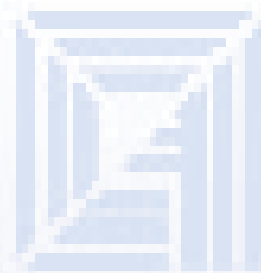
## 17. INTERESTS IN SUBSIDIARIES (Cont'd)

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Number and nominal value of issued ordinary share/ registered capital	Equity interest attributable to the Company		Principal activities
			Direct %	Indirect %	
Alpha King Development Limited	Hong Kong	10,000 shares of HK\$1 each	—	100	Property investment
Broad Sun Development Limited	Hong Kong	2 shares of HK\$1 each	—	100	Property investment
Cathay Holdings Limited	Hong Kong	2 shares of HK\$1 each	100	—	Securities trading, provision of financial services and investment holding
Dawning Information Industry Company Limited*	PRC	RMB161,250,000	—	100	Manufacture and sale of high-tech computers and servers
Genace Development Limited	Hong Kong	10,000 shares of HK\$1 each	—	100	Investment holding
Grand Sino Investment Limited	Hong Kong	2 shares of HK\$1 each	—	100	Property investment

# Notes to Financial Statements

31 December 2001



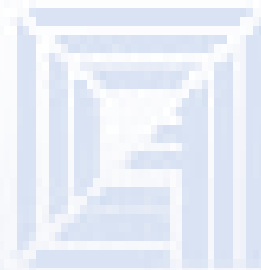
## 17. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Number and nominal value of issued ordinary share/ registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Hostwin Investments Limited	British Virgin Islands/ Hong Kong	1 share of US\$1	100	—	Securities trading
La Residence Development (Shanghai) Co., Ltd.	PRC	US\$13,000,000	—	100	Property development and trading
Luxcon Development Limited	Hong Kong	10,000 shares of HK\$1 each	—	100	Property investment
Megatech Development Limited	Hong Kong	10,000 shares of HK\$1 each	—	100	Property investment
Mings Vision Medical Development (Shenzhen) Co., Ltd.	PRC	US\$1,031,376	—	100	Ophthalmology treatments
National Oriental Development Limited	Hong Kong	10,000 shares of HK\$1 each	—	100	Property investment
Oriental Grand Development Limited	Hong Kong	2 shares of HK\$1 each	—	100	Property development



# Notes to Financial Statements

31 December 2001



## 17. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Number and nominal value of issued ordinary share/ registered capital	Equity interest attributable to the Company		Principal activities
			Direct	Indirect	
			%	%	
Portkeen Investments Limited <sup>#</sup>	British Virgin Islands	1 share of US\$1 each	—	100	Investment holding
Stadium Holdings Limited	Hong Kong	2 shares of HK\$1 each	100	—	Property holding
Sarmac Investment Limited	Hong Kong	2 shares of HK\$1 each	—	100	Property investment

\* Subsidiary acquired during the year.

# Subsidiary acquired and disposed of during the year.

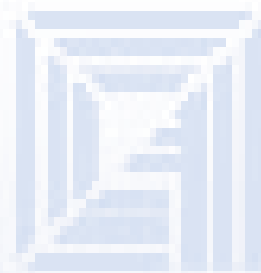
The above table lists the principal subsidiaries of the Company as at 31 December 2001 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of all the subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

The subsidiaries acquired during the year contributed HK\$128,652,000 to the Group's turnover and net profit of HK\$10,426,000 to the Group's net profit from ordinary activities attributable to shareholders. Further details of the acquisition are included in notes 3, 27, 28 and 30 to the financial statements.

The subsidiary disposed of during the year contributed HK\$765,000 to the Group's turnover and net loss of HK\$1,315,000 to the Group's net profit from ordinary activities attributable to shareholders. Further details of disposal are included in note 30 to the financial statements.

# Notes to Financial Statements

31 December 2001



## 18. INTERESTS IN ASSOCIATES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	—	—	—	—
Share of deficiency in net assets	(53,836)	(56,060)	—	—
Due from associates	56,143	56,174	75	14
	2,307	114	75	14

The balances with the associates are unsecured, interest-free and are not repayable within twelve months.

The Group's share of profits less losses retained by the associates for the year amounted to a net loss of HK\$40,000 (2000: HK\$25,000).

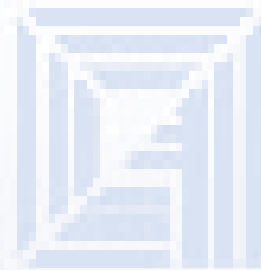
The Group's share of the post-acquisition accumulated deficits of the associates as at 31 December 2001 amounted to HK\$56,100,000 (2000: HK\$56,060,000).

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Finegun Investments Limited*	Corporate	British Virgin Islands	50	Investment holding
Palex King Limited	Corporate	Hong Kong	50	Dormant
Power Sheen Limited	Corporate	Hong Kong	25	Dormant

# Notes to Financial Statements

31 December 2001



## 18. INTERESTS IN ASSOCIATES (Cont'd)

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Sungei Enterprises Limited*	Corporate	British Virgin Islands	50	Investment holding
Wellco Properties Limited	Corporate	Hong Kong	50	Dormant
Winbase Limited	Corporate	Hong Kong	25	Dormant
深圳市曙光信息技術有限公司#	Corporate	PRC	24	Yet to commence business

\* These associates are directly held by the Company.

# Associate established during the year.

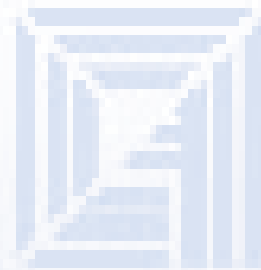
## 19. INTERESTS IN JOINT VENTURES

### Jointly-controlled entities

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	7,530	—
Goodwill on acquisition	2,673	—
	10,203	—
Loans to jointly-controlled entities	4,045	—
	14,248	—

# Notes to Financial Statements

31 December 2001



## 19. INTERESTS IN JOINT VENTURES (Cont'd)

### Jointly-controlled entities (Cont'd)

The loans to the jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

The amount of goodwill capitalised as an asset under "Interest in joint ventures" in the balance sheet, arising from the acquisition of a jointly-controlled entity, is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Cost:		
Acquisition of a jointly-controlled entity and at end of year	2,970	—
Accumulated amortisation:		
Amortisation provided during the year and at end of year	297	—
Net book value:		
At end of year	2,673	—

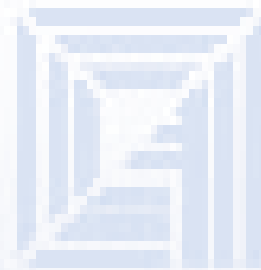
There is no impairment arising on goodwill provided during the year.

The Group's share of profits less losses retained by the jointly-controlled entities for the year after transfers to reserves amounted to a net loss of HK\$411,000 (2000: nil).

The Group's share of the post-acquisition accumulated deficits of jointly-controlled entities as at 31 December 2001 amounted to HK\$221,000 (2000: nil).

# Notes to Financial Statements

31 December 2001



## 19. INTERESTS IN JOINT VENTURES (Cont'd)

### Jointly-controlled entities (Cont'd)

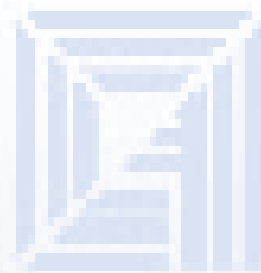
Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
Wu Han Jingke Information Industry Co., Ltd.	Corporate	PRC	51	40	51	Manufacture and sale of electronic components
Wuhan Jingke Electronic Co., Ltd.	Corporate	PRC	51	40	51	Manufacture and sale of electronic components

The Group's jointly-controlled entities were established/acquired during the year and are indirectly held by the Company. The Group's interests in the jointly-controlled entities have not been accounted for as subsidiaries because the Group's control over these entities is restricted by certain provisions in the joint venture agreements. In the opinion of the directors, the Group does not have control of the board of directors but is in a position to exercise significant influence over these entities. Accordingly, the equity method of accounting is used to account for the Group's investments in these jointly-controlled entities.

# Notes to Financial Statements

31 December 2001



## 19. INTERESTS IN JOINT VENTURES (Cont'd)

### Jointly-controlled operation

The Group has a jointly-controlled operation with 內蒙古醫學院第一附屬醫院 and 北京賽林科技發展有限公司 for the provision of ophthalmology treatment services in Inner Mongolia, the PRC. The Group has a 40% participating interest in respect of the voting power in this joint venture. The aggregate amounts of the operating results for the year ended 31 December 2001 and the assets and liabilities as at 31 December 2001 recognised in these financial statements in respect of this jointly-controlled operation are as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Turnover	696	338
Profit after tax	255	124
Total assets	2,293	2,267
Total liabilities	43	17

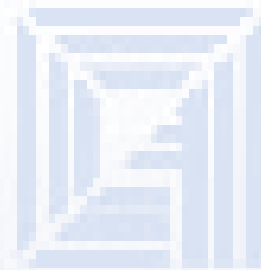
## 20. SHORT TERM INVESTMENTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Hong Kong listed equity investments, at market value	6,128	7,161

The market value of the Group's short term investments at the date of approval of these financial statements was approximately HK\$5,463,000.

# Notes to Financial Statements

31 December 2001



## 21. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	6,132	—
Work in progress	3,805	—
Finished goods	18,768	267
	<b>28,705</b>	<b>267</b>

At the balance sheet date, the Group had no inventories carried at net realisable value (2000: nil).

## 22. COMPLETED PROPERTIES HELD FOR SALE

At 31 December 2001, the carrying amount of the Group's completed properties held for sale carried at net realisable value amounted to HK\$146,650,000 (2000: HK\$155,800,000).

## 23. TRADE RECEIVABLES

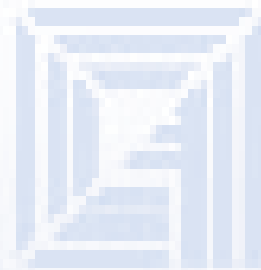
A defined credit policy is maintained within the Group. The general credit terms range from one to three months, except for certain well established customers, where the terms are further extended to a maximum of one year. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are regularly reviewed by senior management.

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Within 1 month	29,681	—
1 to 3 months	6,522	—
4 to 6 months	1,114	—
7 to 12 months	5,763	—
	<b>43,080</b>	<b>—</b>

# Notes to Financial Statements

31 December 2001



## 24. LOAN RECEIVABLE

During the year, the Group granted a total of loan facilities of HK\$70 million to an independent third party company incorporated in the British Virgin Islands (the "Borrower"). Pursuant to the loan agreements entered into between the Borrower and the Group, HK\$60 million was drawn down during the year. Principal of HK\$2.5 million and loan interest were subsequently repaid during the year. At 31 December 2001, the outstanding principal amounted to HK\$57.5 million. Subsequent to the balance sheet date, a further sum of HK\$10 million was drawn down and quarterly interest payments were received from the Borrower. The loan receivable from the Borrower is secured by a legal charge over the equity shares of the Borrower. The loan bore interest at 10% per annum from the date of draw down to 31 December 2001. The interest rate was subsequently revised to 7.375% per annum effective 1 January 2002 onwards. The principal of HK\$67.5 million is repayable in full on 31 December 2002.

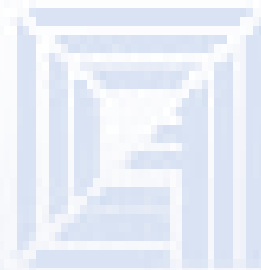
The directors of the Company understand that the Borrower is engaged in strategic investments in both the PRC and Hong Kong, which do not currently provide a steady and positive recurring revenue stream to the Borrower. According to the latest financial information about the Borrower as at 31 March 2002 made available to the directors by the Borrower, a substantial portion of the Borrower's assets are non-current in nature and might not be readily turned into cash resources to meet its financial obligations as and when they fall due which include the repayment of the Group's loan advances of HK\$67.5 million as at the date of these financial statements.

However, after taking into consideration that the Borrower has made timely settlement of interest during the year and subsequent to the balance sheet date, the directors consider that notwithstanding the fundamental uncertainty surrounding the recovery of the loan receivable of HK\$57.5 million as at the year end, no provision in respect thereof is required to be made in the preparation of these financial statements. However, the directors will review the situation on an on-going basis and make provisions, if necessary, when deemed appropriate.



# Notes to Financial Statements

31 December 2001



## 25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	119,131	7,268	4,314	4,080
Time deposits	94,676	105,924	86,650	105,924
	<b>213,807</b>	113,192	<b>90,964</b>	110,004

At 31 December 2001, the cash and bank balances and time deposits of the Group denominated in Renminbi ("RMB") amounted to approximately HK\$76,483,000 (2000: HK\$1,826,000) and HK\$5,294,000 (2000: nil) respectively. The cash and bank balances of the Company denominated in RMB amounted to approximately HK\$1,899,000 (2000: nil). RMB is not freely convertible into foreign currencies. Under the Rules of the PRC on Foreign Exchange Control and Administrative Regulations on Foreign Exchange Settlements, Sales and Payments, the Group and the Company are permitted to exchange RMB for foreign currencies through banks authorised to conduct foreign exchange business.

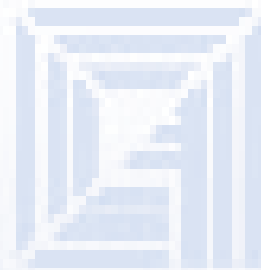
## 26. TRADE PAYABLES

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Within 1 month	5,254	—
1 to 3 months	991	—
4 to 6 months	12	—
7 to 12 months	314	—
	<b>6,571</b>	—

# Notes to Financial Statements

31 December 2001



## 27. CONVERTIBLE NOTES

On 4 June 2001, Convertible Notes amounted to HK\$100,467,000 were issued to the Vendors as partial consideration paid for the acquisition of entire equity interests in Dawning. Further details of the acquisition are set out in notes 3, 28 and 30 to the financial statements and in a circular to shareholders of the Company dated 29 March 2001. The non-interest bearing Convertible Notes with a maturity of 2 years are transferable under certain conditions and convertible wholly or partly into new ordinary shares of the Company at any time during the period commencing from 4 June 2001 and ending on the maturity date, at the conversion price of HK\$0.1945 per share (subject to adjustment). The Convertible Notes are non-redeemable, subject to certain circumstances. Any conversion rights not exercised shall lapse automatically upon the expiry of the maturity date.

The conversion in full of the entire principal of the Convertible Notes will, under the then capital structure of the Company, result in the issue of 516,541,335 additional shares of the Company, representing approximately 8.4% of the enlarged issued share capital of the Company at the time of the issuance of the Convertible Notes.

The directors, after considering the terms and aspects of the Convertible Notes and taking into account of the opinion of legal counsel, consider that it is appropriate to classify the Convertible Notes as non-current liabilities as the Convertible Notes demonstrate characteristics of a liability until any exercise of the conversion rights by the Convertible Note holders to convert any outstanding principal of the Convertible Notes into the Company's ordinary shares.

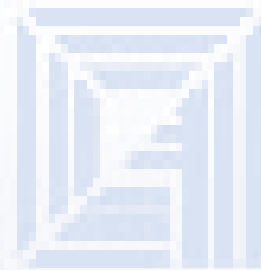
## 28. SHARE CAPITAL

### Shares

	2001	2000
	HK\$'000	HK\$'000
Authorised:		
10,000,000,000 shares of US\$0.025 each	1,948,000	1,948,000
Issued and fully paid:		
6,376,617,628 (2000: 5,110,076,293) shares of US\$0.025 each	1,242,381	996,039

# Notes to Financial Statements

31 December 2001



## 28. SHARE CAPITAL (Cont'd)

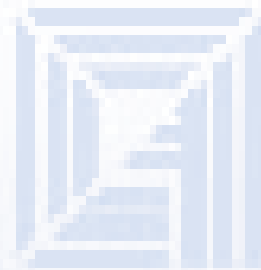
### Shares (Cont'd)

Details of movements in the issued and fully paid share capital of the Company during the year were as follows:

	Notes	Carrying amount 2001 HK\$'000	Number of ordinary shares of US\$0.025 each	Carrying amount 2000 HK\$'000	Number of ordinary shares of US\$0.025 each
Authorised:					
At 1 January		1,948,000	10,000,000,000	1,170,000	6,000,000,000
Increase in authorised share capital	(d)	—	—	778,000	4,000,000,000
At 31 December		1,948,000	10,000,000,000	1,948,000	10,000,000,000
Issued and fully paid:					
At 1 January		996,039	5,110,076,293	710,857	3,645,421,074
Subscription of new shares	(a),(c)	—	—	194,902	1,001,679,382
Shares issued for acquisition of subsidiaries	(b),(f)	100,467	516,541,335	90,158	462,350,260
Warrants exercised	(e)	—	—	122	625,577
Placement of new shares	(g)	145,875	750,000,000	—	—
At 31 December		1,242,381	6,376,617,628	996,039	5,110,076,293

# Notes to Financial Statements

31 December 2001



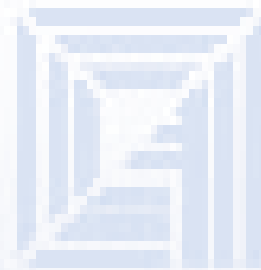
## 28. SHARE CAPITAL (Cont'd)

### Shares (Cont'd)

- (a) On 9 May 2000, 150,000,000 ordinary shares of US\$0.025 each were issued at HK\$0.23 each to Jiang Nan Finance Limited, a wholly-owned subsidiary of China Merchants Holdings Co., Ltd., for a total cash consideration of approximately HK\$34.5 million. The issue price represented a discount of approximately 8% to the average closing price for the 10 trading days immediately prior to 19 April 2000, the date of announcement, and a premium of approximately 17.4% to the closing price of the last trading day immediately prior to 19 April 2000 as quoted on the Stock Exchange. The net proceeds of approximately HK\$34.5 million were used for the general working capital of the Group. Further details of the subscription of shares are set out in the Company's press announcement dated 19 April 2000.
- (b) On 26 May 2000, 462,350,260 ordinary shares of US\$0.025 each were issued at HK\$0.28 each to Great Mind Holdings Group Limited ("Great Mind"), a wholly-owned subsidiary of SIHL, as full consideration paid for the acquisition of a 100% equity interest in Mings Vision Medical Development (Shenzhen) Co., Ltd. Further details of the acquisition are set out in a circular to shareholders of the Company dated 29 April 2000.
- (c) On 28 August 2000, 800,000,000 and 51,679,382 ordinary shares of US\$0.025 each were issued at HK\$0.1945 each to Jinhua (Hong Kong) Jinxin Limited and Future Development Services Corp., independent third parties, respectively, for a total cash consideration of approximately HK\$165.5 million. The issue price represented a discount of approximately 22.5% and 35.2% to the average closing price for the 20 trading days and the last trading day immediately prior to 11 August 2000, the date of announcement, respectively, as quoted on the Stock Exchange. The net proceeds of approximately HK\$165.3 million were used for the repayment of debts and general working capital of the Group. Further details of the subscription of shares are set out in the Company's press announcement dated 14 August 2000.
- (d) Pursuant to an ordinary resolution passed on 17 November 2000, the authorised share capital of the Company was increased from US\$150,000,000 to US\$250,000,000 by the creation of additional 4,000,000,000 ordinary shares of US\$0.025 each, ranking pari passu in all respects with the existing share capital of the Company.
- (e) During the year ended 31 December 2000, 625,577 warrants were exercised by warrant holders at the subscription price of HK\$0.34 per share for approximately HK\$213,000 in cash, which resulted in the issue of 625,577 ordinary shares of US\$0.025 each. All remaining warrants expired on 18 May 2000.

# Notes to Financial Statements

31 December 2001



## 28. SHARE CAPITAL (Cont'd)

### Share (Cont'd)

- (f) On 4 June 2001, 516,541,335 ordinary shares of US\$0.025 each were issued at HK\$0.1945 each to the Vendors, as partial consideration paid for the acquisition of the entire equity interests in Dawning. Further details of the acquisition are set out in notes 3, 27 and 30 to the financial statements and in a circular to shareholders of the Company dated 29 March 2001.
- (g) On 27 June 2001, 750,000,000 ordinary shares of US\$0.025 each were placed through an independent placing agent at HK\$0.26 each to independent third parties, for a total cash consideration of approximately HK\$195 million. The placing price represented a discount of approximately 13.9% and 13.3% to the average closing price for the 10 trading days and the last trading day immediately prior to 13 June 2001, the date of announcement, respectively, as quoted on the Stock Exchange. The net proceeds of approximately HK\$189.8 million were used for the expansion of production capacity and improvement of research and development facilities of Dawning and for general working capital of the Group. Further details of the placement of shares are set out in the Company's press announcement dated 13 June 2001.

The excess of the proceeds over the par value of the shares issued was credited to the share premium account.

### Share options

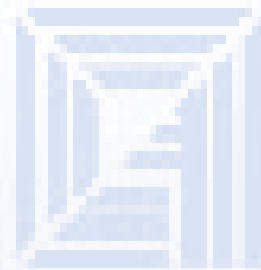
The Company operates a share option scheme (the "Scheme"), further details of which are set out under the section "Share option scheme" in the Report of the Directors on page 26.

At beginning of the year, the Company had 900,000 shares options outstanding which were exercisable at a price of HK\$0.38 per share during the period from 15 July 1997 to 14 July 2007. Details of the grant of options under the Scheme during the year are as follows:

- (i) *Options granted on 9 March 2001*
- On 9 March 2001, 133,500,000 and 16,500,000 share options were granted to certain directors of the Company and employees of the Group which entitle them to subscribe for a total of 133,500,000 and 16,500,000 ordinary shares of the Company, respectively. The share options are exercisable at a price of HK\$0.1945 per share during the period from one week after acceptance to 16 November 2010. The exercise in full of such share options would, under the capital structure of the Company existing at the balance sheet date, have resulted in the issue of 150,000,000 additional ordinary shares of US\$0.025 each at a total consideration of HK\$29,175,000.

# Notes to Financial Statements

31 December 2001



## 28. SHARE CAPITAL (Cont'd)

### Share options (Cont'd)

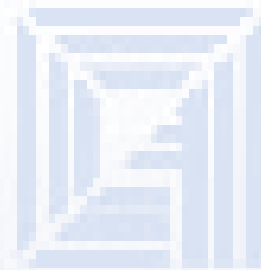
#### (ii) Options granted on 23 July 2001

On 23 July 2001, a total of 5,160,000 and 193,099,900 share options were granted to a director of the Company and certain employees of the Group, respectively, which entitle them to subscribe for a total of 5,160,000 and 193,099,900 ordinary shares of the Company, respectively at a price of HK\$0.1945 per share with various exercise periods as follows:

	Number of options granted	Exercise price HK\$	Exercise period
A director	2,580,000	0.1945	1 January 2002 to 31 December 2006
	2,580,000	0.1945	1 July 2002 to 30 June 2007
	<hr/> 5,160,000		
Employees in aggregate	98,862,800	0.1945	5 years commencing from one week after date of acceptance
	47,118,550	0.1945	1 January 2002 to 31 December 2006
	47,118,550	0.1945	1 July 2002 to 30 June 2007
	<hr/> 193,099,900		
Total	<hr/> 198,259,900		

# Notes to Financial Statements

31 December 2001



## 28. SHARE CAPITAL (Cont'd)

### Share options (Cont'd)

#### (ii) Options granted on 23 July 2001 (Cont'd)

The exercise in full of such options would, under the capital structure of the Company existing at the balance sheet date, have resulted in the issue of 198,259,900 additional ordinary shares of US\$0.025 each at a total consideration of approximately HK\$38,562,000.

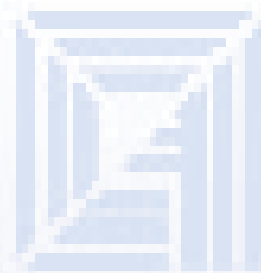
#### (iii) Options granted on 13 August 2001

On 13 August 2001, a total of 750,000 and 750,000 share options with exercise periods from 1 January 2002 to 31 December 2006 and from 1 July 2002 to 30 June 2007, respectively, were granted to an employee of the Group which entitle him to subscribe for a total of 1,500,000 ordinary shares of the Company. The share options were exercisable at a price of HK\$0.1945 per share. The exercise in full of such share options would, under the capital structure of the Company existing at the balance sheet date, have resulted in the issue of 1,500,000 additional ordinary shares of US\$0.025 each at a total consideration of approximately HK\$292,000.

At the balance sheet date and at the date of these financial statements were approved and authorised for issue by the board of directors, all of these 350,659,900 (2000: 900,000) share options remained outstanding, and are exercisable at exercise prices ranging from HK\$0.1945 to HK\$0.38 per share (2000: HK\$0.38 per share) (subject to adjustments). The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 350,659,900 (2000: 900,000) additional shares of US\$0.025 each, for a consideration of approximately HK\$68,370,000 (2000: HK\$342,000).

# Notes to Financial Statements

31 December 2001



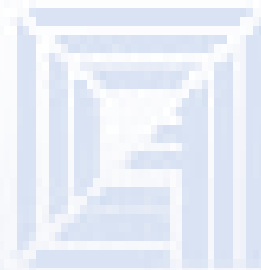
## 29. RESERVES

Group	Share	Contributed	Statutory	Capital	Exchange	Goodwill	Accumulated	Total
	premium		reserve		fluctuation			
	account	surplus	fund	reserve	reserve	reserve	losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2000	289,476	125,521	—	14,142	1,180	—	(922,556)	(492,237)
Issue of shares	44,550	—	—	—	—	—	—	44,550
Exercise of warrants	91	—	—	—	—	—	—	91
Share issue expenses	(205)	—	—	—	—	—	—	(205)
Goodwill arising on acquisition of subsidiaries	—	—	—	—	—	(117,121)	—	(117,121)
Goodwill written-off	—	—	—	—	—	53,879	—	53,879
Net loss for the year	—	—	—	—	—	—	(209,659)	(209,659)
Exchange differences arising on consolidation of subsidiaries outside Hong Kong	—	—	—	—	1,317	—	—	1,317
At 31 December 2000 and at 1 January 2001	333,912	125,521	—	14,142	2,497	(63,242)	(1,132,215)	(719,385)
Issue of shares	49,125	—	—	—	—	—	—	49,125
Share issue expenses	(5,174)	—	—	—	—	—	—	(5,174)
Impairment provided during the year (note 15)	—	—	—	—	—	5,000	—	5,000
Net profit for the year	—	—	—	—	—	—	16,649	16,649
Transfer to statutory reserve fund	—	—	1,669	—	—	—	(1,669)	—
Exchange differences arising on consolidation of subsidiaries outside Hong Kong	—	—	—	—	204	—	—	204
At 31 December 2001	377,863	125,521	1,669	14,142	2,701	(58,242)	(1,117,235)	(653,581)
Reserves retained by/ (losses accumulated in):								
Company and subsidiaries	377,863	125,521	1,479	14,142	2,701	(58,242)	(1,060,724)	(597,260)
Associates	—	—	—	—	—	—	(56,100)	(56,100)
Jointly-controlled entities	—	—	190	—	—	—	(411)	(221)
At 31 December 2001	377,863	125,521	1,669	14,142	2,701	(58,242)	(1,117,235)	(653,581)



# Notes to Financial Statements

31 December 2001



## 29. RESERVES (Cont'd)

### Group (Cont'd)

Goodwill and negative goodwill arising on the acquisition of subsidiaries prior to 1 January 2001, remain eliminated against consolidated reserves and credited to the capital reserve, respectively, as explained in note 15 to the financial statements.

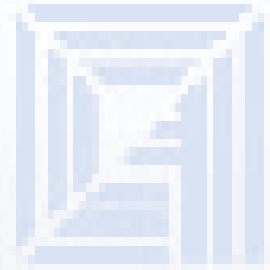
	Share premium account HK\$'000	Contributed surplus HK\$'000	Statutory reserve fund HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Goodwill reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
Reserves retained by/ (losses accumulated in):								
Company and subsidiaries	333,912	125,521	—	14,142	2,497	(63,242)	(1,076,155)	(663,325)
Associates	—	—	—	—	—	—	(56,060)	(56,060)
At 31 December 2000	333,912	125,521	—	14,142	2,497	(63,242)	(1,132,215)	(719,385)

### Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 January 2000	289,476	125,521	(907,234)	(492,237)
Issue of shares	44,550	—	—	44,550
Exercise of warrants	91	—	—	91
Share issue expenses	(205)	—	—	(205)
Net loss for the year	—	—	(271,584)	(271,584)
At 31 December 2000 and at 1 January 2001	333,912	125,521	(1,178,818)	(719,385)
Issue of shares	49,125	—	—	49,125
Share issue expenses	(5,174)	—	—	(5,174)
Net loss for the year	—	—	(9,570)	(9,570)
At 31 December 2001	377,863	125,521	(1,188,388)	(685,004)

# Notes to Financial Statements

31 December 2001



## 29. RESERVES (Cont'd)

The Group's contributed surplus arose from the Group reorganisation on 18 July 1990 and represents the difference between the nominal value of the Company's shares issued under the reorganisation scheme, in exchange for the nominal value of the shares of the subsidiaries acquired.

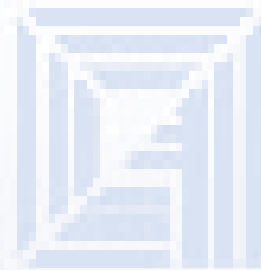
The Company's contributed surplus arose from the Group reorganisation on 18 July 1990 and represents the difference between the nominal value of the Company's shares issued under the reorganisation scheme, in exchange for the shares in the subsidiaries and the then fair value of the consolidated net asset value of the subsidiaries acquired, less any distributions made to shareholders.

Under the Companies Act of Bermuda and the bye-laws of the Company, the contributed surplus may be distributed under certain circumstances.

In accordance with the PRC regulations, certain companies in the PRC are required to transfer part of their profits after tax to the statutory reserve fund, before profit distributions are made. The amounts of the transfers are subject to the approval of the boards of directors of these companies, in accordance with their joint venture agreements and/or articles of association. The statutory reserve fund is non-distributable and may be used either to offset losses, or for capitalisation issues by way of paid-up capital.

# Notes to Financial Statements

31 December 2001



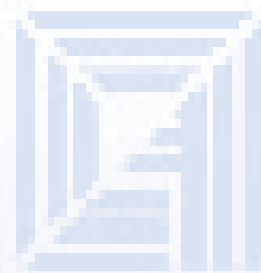
## 30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Profit/(loss) from operating activities	20,902	(187,144)
Depreciation	2,348	910
Interest income	(4,610)	(2,841)
Loss/(gain) on disposal of fixed assets	564	(2)
Loss on disposal of investment properties	112	12,796
Loss/(gain) on disposal of a subsidiary	(30,809)	1,654
Provisions for inventories	3,395	—
Provisions for bad and doubtful trade receivables	1,527	—
Deficit on revaluation of investment properties	—	6,687
Provisions/(write back of provision) for impairment of deposits paid for investment properties	(1,000)	4,700
Provisions for impairment of property under development	400	3,600
Goodwill amortisation	7,816	—
Goodwill impairment	5,000	53,879
Provisions/(write back of provisions) for impairment of completed properties held for sale	(5,050)	85,119
Net unrealised holding gains less losses on short term listed equity investments	(1,088)	(1,117)
Increase in rental deposit	(10,870)	—
Decrease in short term investments	2,121	—
Decrease/(increase) in inventories	29,421	(48)
Decrease in completed properties held for sale	14,200	19,881
Increase in trade receivables	(30,087)	—
Decrease/(increase) in other receivables, deposits and prepayments	11,126	(8,202)
Decrease/(increase) in loan receivable	(57,500)	5,000
Decrease in trade payables	(24,418)	—
Increase/(decrease) in other payables and accruals	25,483	(16,273)
Exchange differences arising on consolidation of subsidiaries outside Hong Kong	41	1,306
<b>Net cash outflow from operating activities</b>	<b>(40,976)</b>	<b>(20,095)</b>

# Notes to Financial Statements

31 December 2001



## 30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (b) Acquisition of subsidiaries

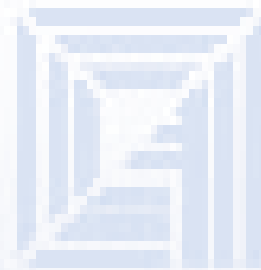
	Group	
	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	17,977	12,212
Inventories	61,479	219
Trade receivables	14,520	—
Other receivables, deposits and prepayments	22,574	1,629
Cash and bank balances	38,479	274
Trade payables	(30,989)	—
Other payables and accruals	(49,199)	(1,798)
Total net assets acquired	74,841	12,536
Costs incurred by the Group during acquisition	(2,812)	(199)
Goodwill	128,905	117,121
Consideration	200,934	129,458
Satisfied by:		
Shares issued	100,467	129,458
Convertible Notes	100,467	—
	200,934	129,458

Analysis of the net inflow of cash and cash equivalents in respect of the purchase of the above subsidiaries:

	Group	
	2001 HK\$'000	2000 HK\$'000
Cash and bank balances acquired	38,479	274
Costs incurred by the Group	(2,812)	(199)
	35,667	75

# Notes to Financial Statements

31 December 2001



## 30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (b) Acquisition of subsidiaries (Cont'd)

During the year, the acquired subsidiaries contributed HK\$48,941,000 of the Group's net operating cash flows, paid HK\$421,000 in respect of tax, utilised HK\$55,873,000 in respect of investing activities, but had no significant impact in respect of cash flows for net returns on investments and servicing of finance and financing activities.

The subsidiaries acquired in prior year contributed HK\$193,000 of the Group's net operating cash flows for the year ended 31 December 2000.

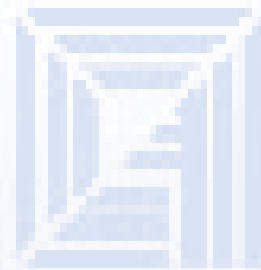
Further details of the acquisition are included are notes 3, 27 and 28 to the financial statements.

### (c) Disposal of a subsidiary

	Group	
	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	7,127	—
Investment properties	—	123,000
Inventories	225	—
Other receivables, deposits and prepayments	218	67
Cash and bank balances	205	—
Other payables and accruals	(1,619)	—
Total net assets disposal of	6,156	123,067
Costs incurred by the Group during disposal	35	387
Gain/(loss) on disposal of a subsidiary	30,809	(1,654)
	37,000	121,800
Satisfied by:		
Cash and cash equivalents received and receivable	37,000	121,800

# Notes to Financial Statements

31 December 2001



## 30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (c) Disposal of a subsidiary (Cont'd)

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of the above subsidiary:

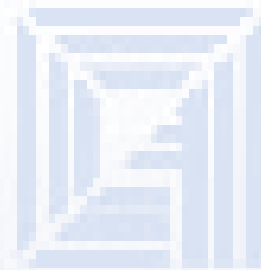
	Group	
	2001	2000
	HK\$'000	HK\$'000
Cash consideration received and receivable	37,000	121,800
Cash consideration receivable	(12,500)	—
Cash consideration received	24,500	121,800
Cash and bank balances disposed of	(205)	—
Costs incurred by the Group	(35)	(387)
	<b>24,260</b>	<b>121,413</b>

During the year, the disposed subsidiary contributed HK\$487,000 to the Group's net operating cash flows and utilised HK\$320,000 in respect of investing activities, but had no significant impact in respect of the cash flows for net returns on investment and servicing of finance, tax and financing activities.

The subsidiary disposed of in the prior year utilised HK\$17,818,000 of the Group's net operating cash flows, paid HK\$10,671,000 in respect of net returns on investments and servicing of finance and contributed HK\$28,489,000 to the Group's cash flows for financing activities for the year ended 31 December 2000.

# Notes to Financial Statements

31 December 2001



## 30. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

### (d) Analysis of changes in financing of the Group during the year

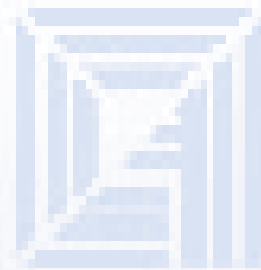
	Share capital (including share premium) HK\$'000	Convertible Notes HK\$'000	Bank loans, secured HK\$'000	Other loans, secured HK\$'000	Finance lease payables HK\$'000
Balance at 1 January 2000	1,000,333	—	206,537	59,404	—
Cash inflow/(outflow) from financing activities, net	200,160	—	(203,874)	(58,145)	(5)
Shares issued for non-cash consideration	129,458	—	—	—	—
Inception of finance leases	—	—	—	—	37
Balance at 31 December 2000 and at 1 January 2001	1,329,951	—	2,663	1,259	32
Cash inflow/(outflow) from financing activities, net	189,826	—	(2,663)	(1,259)	(32)
Shares issued for non-cash consideration	100,467	100,467	—	—	—
Balance at 31 December 2001	1,620,244	100,467	—	—	—

### (e) Major non-cash transaction

During the year, 516,541,335 ordinary shares of US\$0.025 each were issued at HK\$0.1945 each and Convertible Notes amounted to HK\$100,467,000 were issued to the Vendors as full consideration paid for the acquisition of Dawning. Further details of the transaction are set out in notes 3, 27 and 28 to the financial statements.

# Notes to Financial Statements

31 December 2001



## 31. CONTINGENT LIABILITIES

### Group

- (a) In prior years, certain units of completed properties held for sale of the Group were pre-allocated to certain potential buyers (the "Buyers") and non-interest bearing refundable deposits were received upon such pre-allocation. These pre-allocated units were located in a prime residential building known as La Residence situated in 90-98 Zhenning Lu, Jing An District, Shanghai, the PRC ("La Residence"). The deposits received were refundable at the option of the Buyers prior to the completion of formal sale and purchase agreements and certain other registration procedures. On 22 December 1998, La Residence Development (Shanghai) Co., Ltd. ("La Residence Development"), a subsidiary of the Group engaged in the development of La Residence, entered into a sale and purchase agreement with a third party in which La Residence Development agreed to sell part of La Residence for a consideration of approximately HK\$23,679,000. The consideration was satisfied by the purchaser who agreed to take up the obligations of La Residence Development concerning the refund of deposits of an equivalent amount by La Residence Development. As at the year end, the Group remained contingently liable to the Buyers for any amount not refunded by the third party to the Buyers.
- (b) At the balance sheet date, the Group provided guarantees given for mortgage loans granted by banks to certain purchasers of the Group's completed properties held for sale amounted to HK\$5,967,000 (2000: nil).
- (c) During the year, the Group entered into a service agreement with an independent third party for the Group to provide management services in respect of a business related to ophthalmology treatment services (the "Management Business"). Pursuant to the agreement, the Group provided guarantees in respect of any devaluation or loss of the Management Business within the period of management services ending on 31 December 2002.

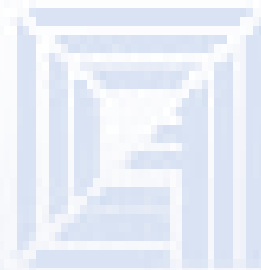
### Company

At the balance sheet date, the Company did not have any significant contingent liabilities (2000: nil).



# Notes to Financial Statements

31 December 2001



## 32. COMMITMENTS

### Capital commitments

	Notes	Group	
		2001 HK\$'000	2000 HK\$'000
Contracted for	(a)	63,270	11,116
Authorised, but not contracted for	(b)	32,000	201,000
Capital contributions payable to jointly-controlled entities		9,426	—
		<b>104,696</b>	<b>212,116</b>

(a) *Capital commitments contracted for*

Capital commitments contracted for as at 31 December 2001 represent commitments in respect of purchases of fixed assets amounting to HK\$19,433,000 (2000: HK\$233,000) and long term investments amounting to HK\$43,837,000 (2000: HK\$10,883,000).

(b) *Authorised, but not contracted for*

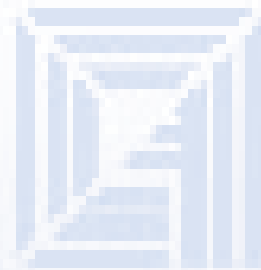
Capital commitments authorised, but not contracted for as at 31 December 2001 represent commitments in respect of capital injection to a wholly owned subsidiary incorporated in the PRC due to a proposed increase in the registered capital of the subsidiary approved by the board of directors.

In addition, the Group's share of the jointly-controlled entities' own capital commitments which are not included in the above, were as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Contracted, but not provided for in respect of purchase of fixed assets	4,905	—

# Notes to Financial Statements

31 December 2001



## 32. COMMITMENTS (Cont'd)

### Operating lease arrangements

#### (a) As lessor

The Group leases its completed properties held for sale (note 22) under operating lease arrangements, with remaining lease terms within one year. 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 within one year of HK\$527,000 (2000: HK\$477,000).

#### (b) As lessee

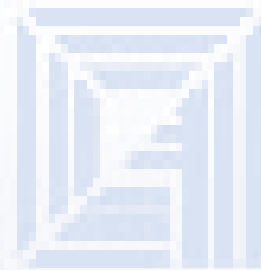
The Group leases certain of its office properties under operating lease arrangements. Leases for properties are with remaining terms ranging from within 1 year to 29 years.

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

	Group	
	2001	2000
	HK\$'000	HK\$'000
Within one year	5,177	1,381
In the second to fifth years, inclusive	7,166	—
After five years	8,165	—
	<b>20,508</b>	1,381

# Notes to Financial Statements

31 December 2001



## 32. COMMITMENTS (Cont'd)

### Operating lease arrangements (Cont'd)

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.

At the balance sheet date, the Company did not have any significant capital commitments or operating lease commitments (2000: nil).

## 33. POST BALANCE SHEET EVENTS

### Group

(a) On 17 December 2001, an agreement was entered into by the Group in respect of a proposed capital injection in Beijing CPT Bluetus Co., Ltd. ("Beijing CPT"), a company incorporated in the PRC principally engaged in the development of network technology and storage systems.

The proposed capital injection amounted to HK\$4,045,000, representing a 55% equity interests in Beijing CPT. Subsequent to the balance sheet date, HK\$5,000,000 had been paid in respect of this investment.

(b) As further described in note 24 to the financial statements, a further sum of HK\$10 million was drawn down by the Borrower subsequent to the balance sheet date.

### Company

At the balance sheet date, the Company did not have any significant post balance sheet events.

## 34. COMPARATIVE AMOUNTS

As further explained in note 1 to the financial statements, due to the adoption of SSAP 14 (Revised) during the current year, the presentation of certain items and balances in the financial statements has been revised to comply with the new requirements. Accordingly, the comparative amounts have been revised to conform with the current year's presentation.

## 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 April 2002.