1. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

In 2000 and 2001, the Group had not repaid and/or serviced most of its borrowings in accordance with repayment schedules under various loan agreements.

The Group is actively locating potential buyers to dispose its low yielding properties in order to reduce the borrowing level. The Group has also commenced negotiations with banks to restructure the debts in terms of interest rates as well as the repayment schedules so as to lessen the interest and cash flow burden of the Group. In addition, the Company will strengthen its capital base through new issue of shares from time to time when market condition allows. The directors are optimistic on the results of the negotiations and the restructuring measures mentioned above. Therefore the financial statements for the year ended 31 December 2001 are prepared on a going concern basis.

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain assets and in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants ("HKSA"), accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance.

In the current year, the Group has adopted the following new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the HKSA which are effective for accounting periods commencing on or after 1 January 2001:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 17 (revised)	:	Property, plant and equipment
SSAP 26	:	Segment reporting
SSAP 28	:	Provision, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

Adoption of these Standards has led a change in the Group's accounting policies regarding goodwill/negative goodwill. In addition, the new and revised Standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation. The revised accounting policies and their effects are set out in the accounting policies below.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Group accounting

(i) Consolidation

Except for those subsidiaries which are now accounted for as investment securities (Note 17 to the financial statements), the consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated income statement and also any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses, if any. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(a) Group accounting *(continued)*

(ii) Associate

An associate is a company, not being a subsidiary or a joint venture, in which an equity interest is held for the long-term purpose and significant influence is exercised in its management.

The consolidated income statement includes the Group's share of the results of associates for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associates and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet the investments in associates are stated at cost less impairment losses, if any. The results of associates are accounted for by the Company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associate.

(b) Goodwill/negative goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiary or associate at the date of acquisition.

In accordance with SSAP 30, goodwill occurring on or after 1 January 2001 should be recognised as an asset and carried at cost less accumulated amortisation and impairment losses. Goodwill is amortised on a straight line basis over its estimated useful life.

Goodwill that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and goodwill previously written off against reserves has not been restated. However any impairment losses arising from the goodwill are accounted for in accordance with SSAP 31. The adoption of SSAPs 30 and 31 have been applied retrospectively and accordingly the impairment losses have been recognised as prior year adjustments to opening accumulated losses in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies".

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(b) Goodwill/ negative goodwill *(continued)*

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiaries or associates at the date of acquisition over the cost of acquisition.

For acquisitions after 1 January 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.

For acquisitions prior to 1 January 2001, negative goodwill was taken directly to reserves on consolidation. The Group has taken advantage of the transitional provision 1(a) in SSAP 30 and negative goodwill previously credited to reserves has not been restated. However the negative goodwill has been recognised in the income statement in accordance with SSAP 30. This change in accounting policy has been applied retrospectively and negative goodwill has been recognised as a prior year adjustment to opening accumulated losses in accordance with SSAP 2 "Net profit or loss for the period, fundamental errors and changes in accounting policies".

The comparative financial statements for 2000 have been restated to conform to the changed policy. As detailed in Note 26(a), the opening accumulated losses for 2000 have been increased by HK$12,720,000 which is the amount of the adjustments in respect of impairment losses and income from negative goodwill relating to periods prior to 2000. The effect of the change in respect of the year 2000 is an increase in impairment loss of HK$360,717,000 and income from negative goodwill of HK$2,290,000 thus resulting in a net increase in loss for the year 2000 of HK$358,427,000.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by external qualified valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual financial statements. Changes in the value of investment properties are treated as movements in investment property revaluation reserve, unless the total of this reserve is insufficient to cover a deficit on a portfolio basis, in which case the amount by which the deficit exceeds the total amount in the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuations is released from the investment property revaluation reserve to the income statement.

(ii) Properties under development

Properties under development are investments in land and buildings on which development work has not been completed and which, upon completion, management intend to hold for investment purposes. These properties are carried at cost which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any accumulated impairment losses. On completion, the properties are transferred to investment properties at cost less accumulated impairment losses.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Fixed assets *(continued)*

(iii) Other fixed assets

Other fixed assets, comprising leasehold improvements, office equipment and motor vehicles are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment losses over their estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Leasehold improvements	over the lease term
Office equipment	20%
Motor vehicles	20%

Leasehold improvements are capitalised and depreciated over their expected useful lives to the Group.

(iv) Gain or loss on sale

The gain or loss on disposal of a fixed asset other than investment properties and properties under development is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the income statement. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

(d) Investments in securities

The Group's accounting policies for investments in securities other than investments in subsidiaries and associates, which are in accordance with the "Benchmark treatment" as set out in SSAP 24 issued by HKSA, are as follows:

(i) Investment securities, which are securities held for an identified long-term strategic purpose, are stated at cost less impairment losses, if any. The carrying amounts of individual investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investment security is reduced to its fair value. The amount of the reduction is recognised as an expense in the income statement.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Investments in securities *(continued)*

(ii) All other equity securities (whether held for trading or otherwise) are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.

(iii) Profits or losses on disposals of investment in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

(e) Properties under development for resale/properties held for resale

Properties under development for resale/properties held for resale transferred from fixed assets to current assets are stated at the lower of the carrying value of the asset, as stated under its original classification, and net realiseable value/valuation. Net realisable value is determined by reference to management's estimate of the selling price based on the prevailing market conditions, less any material estimated costs to be incurred on disposal.

Income on property sales is recognised when the legally binding sales contracts are signed.

(f) Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(g) Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet are stated net of such provision.

(h) Deferred taxation

Deferred taxation is provided using the liability method on all material timing differences, other than those which are not expected to crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

(i) Revenue recognition

Revenue is recognised in the income statement as follow:

(i) Rental income is recognised on a time proportion basis in accordance with the terms and conditions of the tenancy agreement.

(ii) System integration services income is recognised on a completion basis.

(iii) Interest income from bank deposits is accrued on a time proportion basis on the principal outstanding and at the effective interest rate applicable.

(j) Mandatory Provident Fund

The Group contributes to Mandatory Provident Fund scheme ("MPF Scheme") which is available to all employees. Contributions to the MPF Scheme by the Group and employees are calculated as a percentage of employees' basic salaries. Payments made to the MPF Scheme are charged as an expense to the income statement as they fall due.

The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

(k) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the income statement on a straight-line basis over the lease periods.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(l) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the income statements in the year in which they are incurred.

(m) Segment reporting

In accordance with the Group's internal financial reporting the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the combination process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses.

(n) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling on the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The financial statements of subsidiaries denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. The exchange differences are dealt with as a movement in reserves.

2. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(o) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from bank repayable within three months from the date of the advance.

(p) Provisions

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(q) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(r) Related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

3. TURNOVER AND REVENUE

The principal activity of the Company during the year was investment holding. The principal activities of the subsidiaries during the year are set out in Note 14 to the financial statements.

The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2001	2000
	HK$'000	HK$'000
Turnover		
Rental income	**8,697**	12,780
System integration services income	**362**	867
	9,059	13,647
Other revenue		
Interest income	**537**	5,419
Other income	**148**	118
	685	5,537
Total revenues	**9,744**	19,184

4. Segmental Information

Business segments

During the year the Group has two main business segments:

- Property investment – properties holding for development and investment
- System integration services – system design and integration

In the previous year, the Group was also involved in the development of software and networking as well as utility project but the Group companies involving in these activities had been reclassified as Investment Securities as at 31 December 2001 (see Note 17)

There are no sales or other transactions between the business segments.

Information about these business segments is presented on pages 42 and 43.

Geographical segments

Segment information by geographical location is not shown as overseas' operations account for less than 10% of the Group's turnover and trading results.

4. Segmental Information *(continued)*

	Property investment 2001 HK$'000	System integration services 2001 HK$'000	Other operations 2001 HK$'000	Group 2001 HK$'000
Turnover	8,697	362	–	9,059
Segment results	7,305	80	685	8,070
Impairment losses/loss on disposal of segment assets	(141,908)	(1,030)	(4,236)	(147,174)
Operating costs	(3,731)	(2,006)	(283)	(6,020)
Unallocated costs	–	–	(18,343)	(18,343)
Operating loss	(138,334)	(2,956)	(22,177)	(163,467)
Finance costs	(31,874)	(5)	(4,423)	(36,302)
Loss before taxation	(170,208)	(2,961)	(26,600)	(199,769)
Taxation	(9)	–	123	114
Loss after taxation	(170,217)	(2,961)	(26,477)	(199,655)
Minority interests	–	298	(61)	237
Loss attributable to shareholders	(170,217)	(2,663)	(26,538)	(199,418)
Segment assets	292,795	1,182	110,000	403,977
Unallocated assets	–	–	29,390	29,390
Total assets	292,795	1,182	139,390	433,367
Segment liabilities	(322,283)	(3,904)	(193)	(326,380)
Unallocated liabilities	–	–	(52,947)	(52,947)
Total liabilities	(322,283)	(3,904)	(53,140)	(379,327)
Other Information				
Capital expenditure	–	–	(217)	(217)
Depreciation	–	(258)	(683)	(941)
Impairment charge	(135,790)	(1,030)	(4,196)	(141,016)
Other non-cash expenses	(1,000)	83	(40)	(957)

4. Segmental Information *(continued)*

	Property investment 2000 HK$'000	System integration services 2000 HK$'000	Software and networking development 2000 HK$'000	Utility project 2000 HK$'000	Other operations 2000 HK$'000	Group 2000 HK$'000
Turnover	12,780	867	–	–	–	13,647
Segment results	11,070	206	–	–	–	11,276
Impairment losses on segment assets	(19,903)	(2,879)	(1,916)	(12,000)	(43,803)	(80,501)
Income from negative goodwill/(impairment losses on goodwill)	3,421	(1,877)	(322,971)	(37,000)	–	(358,427)
Loss on disposal of segment assets	(49,412)	–	–	–	–	(49,412)
Operating costs	(5,564)	(3,450)	–	(5,128)	–	(14,142)
Unallocated costs	–	–	–	–	(28,366)	(28,366)
Operating loss	(60,388)	(8,000)	(324,887)	(54,128)	(72,169)	(519,572)
Finance costs	(40,975)	(1)	–	(44)	(6,085)	(47,105)
Share of profit less losses of associates	–	–	(173)	–	–	(173)
Loss before taxation	(101,363)	(8,001)	(325,060)	(54,172)	(78,254)	(566,850)
Taxation	(582)	(48)	(41)	–	–	(671)
Loss after taxation	(101,945)	(8,049)	(325,101)	(54,172)	(78,254)	(567,521)
Minority interests	–	1,153	–	2,680	–	3,833
Loss attributable to shareholders	(101,945)	(6,896)	(325,101)	(51,492)	(78,254)	(563,688)
Segment assets	441,107	4,924	–	9,423	110,000	565,454
Unallocated assets	–	–	–	–	59,046	59,046
Total assets	441,107	4,924	–	9,423	169,046	624,500
Segment liabilities	(300,378)	(4,688)	–	(5,195)	–	(310,261)
Unallocated liabilities	–	–	–	–	(60,486)	(60,486)
Total liabilities	(300,378)	(4,688)	–	(5,195)	(60,486)	(370,747)
Other information						
Capital expenditure	–	–	–	(3,822)	(4,696)	(8,518)
Depreciation	–	(250)	–	(137)	(447)	(834)
Impairment charges	(16,482)	(4,756)	(324,887)	(49,000)	(43,803)	(438,928)

5. Operating Loss

	2001 HK$'000	2000 HK$'000
Operating loss before provisions and other losses and gains is stated after crediting and charging the following:		
Crediting		
Rentals receivable from properties less outgoings of HK$1,457,000 (2000: HK$1,710,000)	**7,240**	11,070
Charging		
Auditors' remuneration		
current year	**650**	1,300
prior year	**150**	–
Bad and doubtful debts	**917**	8,626
Depreciation	**941**	834
MPF contributions – employer's portion for general staff	**113**	10
Operating lease on land and buildings	**2,343**	1,331
Staff costs (excluding directors remuneration)	**4,160**	6,950

6. Finance costs

	2001 HK$'000	2000 HK$'000
Interest on bank loans and overdraft repayable within five years	**25,409**	26,980
Interest on other loans	**7,885**	15,004
Interest and late penalties on debentures	**3,008**	5,121
	36,302	47,105

7. Taxation

(a) Taxation in the consolidated income statement represents:

	2001 HK$'000	2000 HK$'000
Hong Kong profits tax	–	23
Overseas taxation	–	48
(Over)/under provisions in prior years	(114)	552
Tax surcharge	–	7
	(114)	630
Share of taxation attributable to associates	–	41
	(114)	671

No provision for Hong Kong nor overseas profits tax is required for current year since each individual company substained losses for taxation purposes.

In prior year, Hong Kong Profits Tax was calculated at 16% of the estimated assessable profit of each individual company, after making adjustments for taxation purposes and after deducting any available tax relief for losses brought forward. Taxation arising in other jurisdictions was calculated at the rates prevailing in the relevant jurisdictions.

(b) Taxation in the consolidated balance sheet represents:

	2001 HK$'000	2000 HK$'000
Overseas taxation recoverable	–	(24)
Provision for Hong Kong Profits Tax	–	56
	–	32

(c) No provision for deferred taxation is required as there are net deferred tax debits for both the Group and the Company. The largest component of the unrecognised deferred tax assets of approximately HK$10,542,000 (2000: HK$14,593,000) and HK$598,000 (2000: HK$8,438,000) of the Group and the Company respectively is in respect of tax losses. The remaining deferred tax debits are not material.

8. Loss attributable to shareholders

The loss attributable to shareholders includes a loss of HK$238,881,000 (2000: HK$556,107,000) which has been dealt with in the financial statements of the Company.

9. Loss per share

The calculation of basic loss per share is based on the loss attributable to shareholders of HK$199,418,000 (2000: loss of HK$563,688,000) and the weighted average of 28,914,137,763 (2000: 22,692,396,412) ordinary shares in issue during the year.

There were no dilutive potential ordinary shares in existence in both 2001 and 2000.

10. Mandatory Provident Fund

The Group did not operate any retirement scheme up to 30 November 2000. With effect from 1 December 2000, MPF Scheme has been setup for employees, including executive directors of the Company, in Hong Kong, in accordance with the Mandatory Provident Scheme Ordinance (the "MPF Ordinance"). Under the MPF Scheme, the Group's contributions are at 5% of employees' relevant income as defined in the MPF Ordinance up to a maximum of HK$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme from 31 December 2000. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund.

The Group's contributions to the MPF Scheme charged to the income statement during the year amounted to approximately HK$149,000 (2000: HK$13,000).

11. Directors' Remuneration

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

	2001 **HK$'000**	2000 HK$'000
Fees	**782**	2,032
Basic salaries, allowances and benefits in kind	**6,987**	36,993
MPF contribution	**36**	3
	7,805	39,028

Benefits in kind includes the difference between the market price of the Company's shares and the exercise price of share options granted to the directors at the date of exercise of the share options by the directors irrespective of whether the resulting shares were sold or retained by the directors. Such difference is nil for the year (2000: HK$23,940,000).

11. Directors' Remuneration *(continued)*

Included in the directors' remuneration were HK$425,000 (2000: HK$1,179,000) and HK$7,000 (2000: HK$3,560,000) paid to independent non-executive and non-executive directors respectively during the year.

The remuneration of the directors is within the followings bands:

	Number of directors	
	2001	2000
Nil to HK$1,000,000	**13**	5
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**2**	–
HK$3,500,001 to HK$4,000,000	**–**	1
HK$6,000,001 to HK$6,500,000	**–**	2
HK$20,000,001 to HK$25,000,000	**–**	1

During the year, one resigned director waived emoluments of HK$1,395,000 (2000: Nil).

12. Five Highest Paid Individuals

Of the five individuals with the highest emoluments, 3 (2000: 4) are directors whose emoluments are disclosed in Note 11. The emoluments in respect of the remaining individuals are as follows:

	2001 HK$'000	2000 HK$'000
Basic salaries, allowances and benefits in kind	**1,408**	860
MPF contribution	**21**	1
	1,429	861

Analysis of emoluments of the five highest paid individuals (including directors and other employees) by number of individuals and emolument range is as follows:

	Number of individual	
	2001	2000
Nil to HK$1,000,000	**2**	1
HK$1,500,001 to HK$2,000,000	**1**	1
HK$2,000,001 to HK$2,500,000	**2**	2
HK$7,500,001 to HK$8,000,000	**–**	1
	5	5

The above analysis does not include the benefits in kind in relation to the share options as stated in Note 11.

13. Fixed Assets

	The Group						
	Investment properties	Properties Under development	Leasehold improvements	Plant & machinery	Office equipment	Motor vehicles	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Cost or valuation:							
At 1 January 2001	244,357	21,030	1,422	3,822	1,253	2,742	274,626
Additions	–	–	–	–	160	57	217
Revaluation	(83,670)	–	–	–	–	–	(83,670)
Transfer to properties under development for resale (Note 18)	–	(20,000)	–	–	–	–	(20,000)
Transfer to properties held for resale (Note 19)	(29,520)	–	–	–	–	–	(29,520)
Transfers *	–	–	–	(3,822)	(116)	(884)	(4,822)
Disposals through disposal of a subsidiary	(11,167)	–	–	–	–	–	(11,167)
At 31 December 2001	120,000	1,030	1,422	–	1,297	1,915	125,664
Representing:							
Cost	–	1,030	1,422	–	1,297	1,915	5,664
Valuation – 2001	120,000	–	–	–	–	–	120,000
	120,000	1,030	1,422	–	1,297	1,915	125,664
Accumulated depreciation:							
At 1 January 2001	–	–	95	–	252	288	635
Charge for the year	–	–	284	–	322	335	941
Impairment losses	–	1,030	–	–	–	–	1,030
Transfer	–	–	–	–	(20)	(117)	(137)
At 31 December 2001	–	1,030	379	–	554	506	2,469
Net book value:							
At 31 December 2001	120,000	–	1,043	–	743	1,409	123,195
At 31 December 2000	244,357	21,030	1,327	3,822	1,001	2,454	273,991

* These are the fixed assets of a gas project. The investment has been reclassified as Investment Securities at 31 December 2001 (Note 17)

13. Fixed Assets *(continued)*

An analysis of the net book value of investment properties is as follows.

	The Group	
	2001	2000
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years	**100,000**	180,030
Leases of between 10 to 50 years	**20,000**	64,327
	120,000	244,357

The investment properties of the Group were revalued at 31 December 2001 by an external firm of qualified surveyors, Grant Sherman Appraisal Limited on an open market value basis. The revaluation deficit of HK$83,670,000 (2000: HK$7,193,000) was charged to the income statement during the year.

At 31 December 2001, investment properties of the Group with a net book value of HK$120,000,000 (2000: HK$156,193,000) were pledged to banks to secure financing facilities granted to the Group.

	The Company		
	Office equipment	**Motor vehicles**	**Total**
	HK$'000	HK$'000	HK$'000
Cost:			
At 1 January 2001	17	1,309	1,326
Additions	17	–	17
At 31 December 2001	34	1,309	1,343
Accumulated depreciation:			
At 1 January 2001	4	105	109
Charge for the year	4	262	266
At 31 December 2001	8	367	375
Net book value:			
At 31 December 2001	26	942	968
At 31 December 2000	13	1,204	1,217

14. Investments in Subsidiaries

	The Company	
	2001	2000
	HK$'000	HK$'000
Unlisted, at cost	**208,904**	208,904
Related costs	**8,000**	8,000
Loans to subsidiaries	**1,029,056**	978,455
	1,245,960	1,195,359
Less: Impairment losses	**(1,134,062)**	(918,845)
	111,898	276,514

The loans to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of subsidiaries which, in the opinion of the directors, principally affected the results or assets of the Group are set out below. To give full details of subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

Name of company	Place of incorporation	Principal activities and place of operation	Particulars of issued share/ registered capital	Effective interest held
Direct subsidiaries				
Bright Wick Limited ("Bright Wick")	Hong Kong	Property investment in Hong Kong	10,000 ordinary shares of HK$1 each	100%
City Source Investment Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Day Success Company Limited ("Day Success")	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Deluxe Challenge Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%
Diamond Gold Limited	British Virgin Islands	Property investment in Hong Kong	1 ordinary share of US$1 each	100%

14. Investments in Subsidiaries *(continued)*

Name of company	Place of incorporation	Principal activities and place of operation	Particulars of issued share/ registered capital	Effective interest held
Excel Bond Investment Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Fairsheen Limited ("Fairsheen")	Hong Kong	Property investment in Hong Kong	10,000 ordinary shares of HK$1 each	100%
Grand Top Investment Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Kailey International Limited	Hong Kong	Investment holding in PRC – Luoyang hotel operation (see note 15(b)(II))	2 ordinary shares of HK$1 each	100%
King Respect Limited	Hong Kong	Investment holding in PRC	2 ordinary shares of HK$1 each	100%
Kong Tai Properties Development Company Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Marson Development Limited ("Marson")	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Pak Fook Company Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Sheen Win Investment Limited ("Sheen Win")	Hong Kong	Provision of funding for the Group in Hong Kong	2 ordinary shares of HK$1 each	100%
Smart Idea Investment Limited	Hong Kong	Investment holding in PRC	2 ordinary shares of HK$1 each	100%
Solar Regent Investments Limited ("Solar Regent")	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%

14. Investments in Subsidiaries *(continued)*

Name of company	Place of incorporation	Principal activities and place of operation	Particulars of issued share/ registered capital	Effective interest held
Teleking Development Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Wellstech International Limited	Hong Kong	Property investment in Hong Kong	10,000 ordinary of HK$1 each	100%
Wholesome Investments Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Wisehall Star Limited	Hong Kong	Investment holding in Hong Kong	2 ordinary shares of HK$1 each	100%
Worldwide Group Investment Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK$1 each	100%
Indirect subsidiaries				
World Structure Limited	Hong Kong	Investment holding in PRC	2 ordinary shares of HK$1 each	100%
*北京星港環宇網絡系統有限公司	PRC	Investment holding in PRC	Registered capital of RMB15,000,000	81%
*北京環宇和平衛星應用有限責任公司	PRC	Provision of system integration services in PRC	Registered capital of RMB10,000,000	61%

None of the subsidiaries has issued any debt securities.

* Subsidiaries not audited by RSM Nelson Wheeler.

15. Investments in Unconsolidated Subsidiaries

	The Group 2001 HK$'000	The Group 2000 HK$'000
Unlisted equity, at cost	-	160,776
Related costs	-	10,400
Loans to unconsolidated subsidiaries	-	71,360
Less: Impairment losses	-	(132,536)
	-	110,000

(a) The unconsolidated subsidiaries related to two investments in PRC in respect of a cement manufacturing operation in Heng County of Guangxi Province (carrying value HK$1) and a hotel operation in Luoyang of Henan Province (carrying value HK$110 million). As at 31 December 2001, the investments have been reclassified as Investment Securities (Note 17).

(b) Particulars of the unconsolidated subsidiaries which are now accounted for as Investment Securities are as follows:

(I) Guangxi Cement Plants

Name of Company	Held by subsidiary %	Place of incorporation	Principal activity	Investment cost HK$ million	Commitment amount HK$ million
Guangxi Heng County Special Cement Building Materials Co. Ltd. ("Guangxi Heng County")	55%	PRC	Cement plant operation	34	–

15. Investments in Unconsolidated Subsidiaries *(continued)*

(I) Guangxi Cement Plants

Name of Company	Held by subsidiary %	Place of incorporation	Principal activity	Investment cost HK$ million	Commitment amount HK$ million
Heng County Special Cement Co. Ltd. ("Heng County Special Cement")	60.5%	PRC	Cement plant operation	–	–

* The carrying value of the cement plants as at 31 December 2000 and 2001 was HK$1.

(i) Heng County Special Cement is 55% held by China White Cement Limited, a wholly-owned subsidiary of the Company, and 10% held by Guangxi Heng County. The Group's effective interest in Heng County Special Cement is 60.5%.

(ii) The financial statements of the above companies had not been consolidated in last year as the audited financial statements of these companies prepared under the accounting principles generally accepted in Hong Kong were not available. The investments were qualified to that effect in last year's financial statements.

(iii) During the year, the directors conducted a detailed review of the earning potential and financial position of the cement manufacturing operation and decided to discontinue the investment in and any future financial support for this operation. As a result, the interest in the cement manufacturing operation was reclassified as Investment Securities as at 31 December 2001. Since the investment in and loan to the cement manufacturing operation had already been written down to HK$1 in the year ended 31 December 2000, no additional impairment loss was required in the current year as a result of the change in intention and the reclassification thereof. As a result of the above reclassification, the financial statements of the above companies have also been excluded from consolidation in the current year.

15. Investments in Unconsolidated Subsidiaries *(continued)*

(II) Luoyang Hotel

Name of Company	Held by subsidiary %	Place of incorporation	Principal activity	Investment cost HK$ million	Commitment amount HK$ million	Carrying value HK$ million
Central Union (Asia) Hotel Management Company Limited ("Central Union Asia")	57%	British Virgin Islands	Investment holding – 100% in Henan Central Union	111	–	110
Henan Central Union Computer Co., Ltd. ("Henan Central Union")	100%	PRC	Investment holding – 70% in LGGH	–	–	–
洛陽金水灣大酒店有限公司 ("LGGH")	70%	PRC	Hotel operation	–	–	–

(i) The financial statements of the above companies had not been consolidated in last year as the audited financial statements of these companies prepared under the accounting principles generally accepted in Hong Kong were not available. The investments were qualified to that effect in last year's financial statements.

(ii) The financial statements of the above companies have also been excluded from consolidation in the current year as, in the opinion of the directors, the Group was unable to exercise effective control and influence over the hotel operation. The directors are considering the possibility of regaining the control through court action and in view of the uncertainty of the outcome and the time required, the investment of HK$110,000,000 was accounted for as Investment Securities as at 31 December 2001. The investment would be reclassified as investment in subsidiaries once the Group has established its control over the hotel operation. It is not possible to determine at this stage as to whether any further provision against the Group's investment in these investee companies is necessary.

16. Interests in Associates

	The Group	
	2001	2000
	HK$'000	HK$'000
Share of net assets other than goodwill	**-**	1,907
Less: Impairment loss	**-**	(1,907)
	-	–

As at 31 December 2001, interests in associates have been reclassified as Investment Securities. Details of the associates which are now accounted for as Investment Securities are set out below:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued shares/ registered capital	Effective interest held 2001	Effective interest held 2000
Worldwide 2000 Limited (Note (b))	British Virgin Islands	Investment holding in PRC	82,228,000 ordinary shares of nominal value of HK$0.1 each	18%	20%
河南大東信息產業有限公司 (Note (c))	PRC	Investment holding and software development in PRC	Registered capital of RMB3,000,000	30%	30%
Worldwide IP Communications Limited	British Virgin Islands	Operate a communication software project in Hong Kong	10 shares of US$1 each	30%	30%

16. Interests in Associates *(continued)*

(a) All the above companies are held through subsidiaries of the Company.

(b) Worldwide 2000 Limited holds 100% interests in 北京中農網科技有限公司, a company which principal activities are trading of computers and operating a website in the PRC, through two trustees who are residents in the PRC.

(c) The Group holds 30% interests in 河南大東信息產業有限公司through a trustee who is a resident in the PRC.

河南大東信息產業有限公司holds 60% interests in 河南商都信息發展有限公司, a company which principal activities are software and networking development.

河南商都信息發展有限公司 is the owner and operator of 商都信息港(www.zz.ha.cn).

(d) Following a detailed review by the directors of the above investments, it is decided that the Group did not have significant influence over these investments. In addition, these investments no longer had any real value to the Group nor could they contribute much to the Group's long-term development. Accordingly, these investments were accounted for as Investment Securities at 31 December 2001. Since the cost of investment and loans to these associates had already been fully provided for in the year ended 31 December 2000, no additional impairment loss was required in the current year as a result of the reclassification.

17. Investment Securities

	The Group	
	2001	2000
	HK$'000	HK$'000
Unlisted equity, at cost	**336,268**	–
Related costs	**18,700**	–
Loan to the investing companies	**39,818**	–
Less: Impairment losses	**(284,786)**	–
	110,000	–
Club debentures	**997**	997
	110,997	997

17. Investment Securities *(continued)*

The movements of the investment securities during the year are as follows:

	HK$'000
At 31 December 2000	997
Transfer from:	
Interest in gas project (Note below)	–
Unconsolidated subsidiaries (Note 15)	110,000
Interests in associates (Note 16)	–
At 31 December 2001	110,997

Note:

Included in investment securities is a gas project acquired in 2000 with carrying value of HK$Nil (2000: HK$4,196,000). The companies, 北京國建華翠燃氣技術有限公司 and 醴陵華翠燃氣有限公司 involving in the gas project were accounted for as subsidiaries in 2000. Operating loss of HK$14,861,000 and goodwill impairment of HK$38,000,000 in relation to the gas project were included in the consolidated financial statements for the year ended 31 December 2000. During the year, the directors conducted a detailed review of the earning potential and financial position of the gas operation and decided to discontinue its investment in and any future financial support for this operation. As a result, the interest in the gas operation was reclassified as investment securities at 31 December 2001 and an impairment loss of HK$4,196,000 against the carrying value of the gas project was provided in 2001.

At 31 December 2001 the carrying value of the Group's holdings in the following company exceeded 10% of the total assets of the Group:–

Name	Place of incorporation	Particulars of issued shares	Effective interest held	Nature of business
Cental Union (Asia) Hotel Management Company Limited	British Virgin Islands	US$100	57%	Investment holding in PRC

18. Properties under Development for Resale

	The Group	
	2001	2000
	HK$'000	HK$'000
At 1 January	**100,000**	171,000
Transfer from fixed assets	**20,000**	100,000
Disposal through sale of subsidiaries	**–**	(171,000)
Impairment losses	**(22,500)**	–
At 31 December	**97,500**	100,000

An analysis of the carrying value of the properties under development for resale is as follows:

	The Group	
	2001	2000
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years (Note (a))	**17,500**	–
Leases of between 10 to 50 years (Note (b))	**80,000**	100,000
	97,500	100,000

At 31 December 2001, the carrying value of properties under development for resale that was carried at valuation amounted to HK$97,500,000 (2000: HK$100,000,000).

Notes:

(a) At 31 December 2001, the Group had pledged a property under development for resale with a carrying value of HK$17,500,000 (2000: HK$20,000,000 classified as properties under development in fixed assets) to a bank to secure banking facilities granted to a third party, which in turn advanced the borrowed sum to the Group (please refer to Note 30 for details).

(b) At 31 December 2001, a property under development for resale with a carrying value of HK$80,000,000 (2000: HK$100,000,000) was pledged to a bank to secure banking facilities granted to the Group. Subsequent to the balance sheet date, this property was repossessed by the bank pursuant to a court order. (please refer to Note 31 (c) for details).

19. Properties Held for Resale

	The Group	
	2001	2000
	HK$'000	HK$'000
At 1 January	**75,000**	–
Transfer from fixed assets	**29,520**	81,000
Disposal through sale of a subsidiary	**(1,885)**	–
Impairment losses	**(29,620)**	(6,000)
At 31 December	**73,015**	75,000

An analysis of the carrying value of properties held for resale is as follows:

	The Group	
	2001	2000
	HK$'000	HK$'000
In Hong Kong, held on:		
Leases of over 50 years (Note (a))	**48,500**	63,400
Leases of between 10 to 50 years (Notes (b) and (c))	**24,515**	11,600
	73,015	75,000

At 31 December 2001, the carrying value of properties held for resale that was carried at valuation and net realisable value amounted to HK$48,500,000 (2000: HK$75,000,000) and HK$24,515,000 (2000: Nil), respectively.

Notes:

(a) At 31 December 2001, certain properties held for resale with a carrying value of HK$48,500,000 (2000: HK$63,400,000) were pledged to a bank for a loan advanced to the Group. The loan was guaranteed by a third party.

(b) At 31 December 2001, certain properties held for resale with a carrying value of HK$9,715,000 (2000: HK$11,600,000) were pledged to a finance company for loans advanced to the Group. The loans were guaranteed by an ex-director and a third party.

19. Properties Held for Resale *(continued)*

(c) At 31 December 2001, certain properties held for resale with an aggregate carrying value of HK$14,800,000 (2000: HK$29,520,000 classified as investment properties in fixed assets) were pledged to a bank to secure banking facilities granted to a third party, which in return advance the borrowed amount to the Group. These properties were disposed subsequent to the balance sheet date and the charge was released accordingly (please refer to Notes 30 and 31(b) for details).

20. Trade and Other Receivables

	The Group		The Company	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Trade receivables (Note (a))	**754**	72	**–**	–
Other receivables	**24,562**	1,071	**24,027**	15
Prepayments and deposits	**1,947**	2,377	**505**	58
Due from related parties (Note (b))	**–**	16,164	**–**	8,394
	27,263	19,684	**24,532**	8,467

Notes:

(a) A major portion of the Group's turnover is rental income. The payment term is in accordance with the tenancy agreement and payment is normally due on the first day of the month. At 31 December 2001, the ageing analysis of the trade receivables was as follows:

	The Group		The Company	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Current-60 days	**86**	72	**–**	–
61-90 days	**300**	–	**–**	–
Over 90 days	**368**	–	**–**	–
	754	72	**–**	–

20. Trade and Other Receivables *(continued)*

(b) Details of amounts due from related parties are as follows:

	The Group			The Company		
	2001 HK$'000	2000 HK$'000	Maximum outstanding during the year HK$'000	**2001 HK$'000**	2000 HK$'000	Maximum outstanding during the year HK$'000
China Bio-medical Group Limited ("CBM") (Note (i))	**-**	–	–	**-**	8,394	8,394
Gold Choice Enterprises Limited ("Gold Choice") (Note (ii))	**-**	15,882	15,882	**-**	–	–
北京康濟德保健品銷售有限公司	**-**	282	282	**-**	–	–
	-	16,164	16,164	**-**	8,394	8,394

(i) CBM ceased to be a related party to the Group in April 2001.

(ii) Gold Choice is a subsidiary of CBM and ceased to be a related party to the Group in April 2001. Accordingly, the amount due from Gold Choice was classified as other receivables as at 31 December 2001.

21. Trade and Other Payables

	The Group		The Company	
	2001 HK$'000	2000 HK$'000	**2001 HK$'000**	2000 HK$'000
Trade payables (Note (a))	**1,385**	–	**-**	–
Other payables and accruals (Note (b))	**90,211**	20,482	**63,966**	10,430
Rental deposits received	**2,141**	1,671	**-**	–
Due to subsidiaries	**-**	–	**24,621**	4,484
Due to a related party (Note (c))	**-**	38,562	**-**	–
Due to directors	**4,875**	63	**4,875**	51
	98,612	60,778	**93,462**	14,965

21. Trade and Other Payables *(continued)*

(a) At 31 December 2001, the ageing analysis of the trade payables was as follows

	The Group		The Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current-60 days	**521**	–	**-**	–
61-90 days	**163**	–	**-**	–
Over 90 days	**701**	–	**-**	–
	1,385	–	**-**	–

(b) Included in other payables and accruals of the Group is accrued interest of HK$793,000 payable to a financial institution. The amount was accrued by the management in accordance with a verbal understanding obtained from the financial institution.

(c) Included in the amount due to a related party last year was a sum of HK$42,400,000 in connection with overdraft facilities granted to CBM but re-advanced to three subsidiaries of the Group. CBM ceased to be a related party of the Group in April 2001. Accordingly, the amount due to CBM was classified as other payables and accruals as at 31 December 2001.

22. Short Term Borrowings

	The Group		The Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Bank overdraft (Note (a))	**96,956**	131,451	**448**	37,758
Bank loans, secured (Note (b))	**3,000**	–	**3,000**	–
Other loans, secured (Note (c))	**1,080**	–	**1,080**	–
Other loans, unsecured	**2,620**	–	**2,620**	–
	103,656	131,451	**7,148**	37,758

Notes:

(a) The bank overdraft of HK$96,508,000 million is secured by the investment properties of two subsidiaries and the remaining bank overdraft amount is unsecured.

(b) The bank loans are guaranteed by an executive director.

(c) The other loans are secured by the shares of China White Cement Limited and Kong Tai Properties Development Company Limited, subsidiaries of the Company.

23. Long Term Borrowings

	The Group		The Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans, secured	**149,954**	131,649	**771**	–
Due to a related party	**–**	20,056	**–**	–
Current portion of long term borrowings	**(134,207)**	(125,090)	**(250)**	–
	15,747	26,615	**521**	–
The analysis of the above is as follows:				
Bank loans, secured (Note (a))	**140,003**	120,649	**–**	–
Other loans, secured (Note (b))	**9,951**	11,000	**771**	–
Due to a related party (Note (c))	**–**	20,056	**–**	–
	149,954	151,705	**771**	–
Current portion of long term borrowings	**(134,207)**	(125,090)	**(250)**	–
	15,747	26,615	**521**	–

(a) The bank loans are secured by the Group's investment properties, a property under development for resale and a property held for resale.

(b) The other loans of HK$9,180,000 are secured by properties held for resale and the remaining balance is secured by a motor vehicle of the Company.

(c) The amount due to a related party was unsecured and interest bearing in prior year. This related party was acquired by the Group during the year. The bank loans granted to this related party in last year is now included as the bank loans of the Group.

23. Long Term Borrowings *(continued)*

The long term borrowings are repayable as follows:

	The Group		The Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
On demand or within one year	**134,207**	125,090	**250**	–
In the second year	**6,010**	6,048	**250**	–
In the third to fifth year	**9,737**	20,567	**271**	–
	149,954	151,705	**771**	–

24. Convertible Debentures

	The Group and The Company	
	2001	2001
	HK$'000	HK$'000
4% Convertible Debentures	**27,105**	23,400

24. Convertible Debentures *(continued)*

The movement of the Debenture is summarised as follows:

	The Group and The Company	
	2001	2001
	HK$'000	HK$'000
At 1 January	**23,400**	32,760
Debenture issued during the year under		
Tranche 2 (US$6,000,000)	**-**	46,612
Tranche 3 (US$2,000,000)	**-**	15,600
	23,400	94,972
Less:		
Redemption during the year	**-**	(23,400)
Conversion of Debentures		
Converted into 1,487,514,418 shares at prices ranging from HK$0.025 to HK$0.047 per share		
Amount transferred to Share Capital Account	**-**	(37,187)
Amount transferred to Share Premium Account	**-**	(14,885)
	23,400	19,500
Penalty	**3,705**	3,900
At 31 December	**27,105**	23,400

24. Convertible Debentures *(continued)*

During 2000, the Company failed to pay interest accrued on the Debentures and therefore committed an event of default as stipulated in the terms and conditions of the subscription agreement entered into between the Company and an independent third party, Mohawk LLC. On 13 July 2001, Mohawk LLC and the Company entered into a redemption agreement for the full repayment of US$3,325,000 by five installments but the Company failed to honour the agreed settlement. Accordingly on 4 October 2001, Mohawk LLC filed a winding up petition against the Company.

On 21 March 2002, the Company entered into a Settlement Agreement ("Agreement") with Mohawk LLC. Pursuant to the Agreement and subject to the fulfillment of the Company's obligations under the Agreement, the Company will be released and discharged of all of its obligations and liabilities to repay the debt as accrued from time to time under the redemption agreement entered into by the two parties on 13 July 2000. In consideration for this, the Company will (i) pay to Mohawk LLC US$1,250,000 in cash; (ii) issue to Mohawk LLC 1,365,000,000 new shares of the Company at par of HK$0.025 per share; and (iii) reimburse by cash to Mohawk LLC for the legal costs and expenses reasonably incurred by Mohawk LLC.

For (i) mentioned above, the Company has paid US$200,000 upon the signing of the Agreement and the balance in the sum of US$1,050,000 will be paid by 12 equal consecutive monthly installments of US$87,500 each, commencing on 15 April 2002 and thereafter on the 15th day of each and every succeeding calendar month.

For (ii) mentioned above, the total 1,365,000,000 new shares were issued to Mohawk LLC on 4 April 2002.

Following the execution of the Agreement and the issuance of new shares, the winding up petition filed by Mohawk LLC against the Company on 4 October 2001 was dismissed by consent on 15 April 2002.

25. Share Capital

	2001		2000	
	No. of shares '000	**HK$'000**	No. of shares '000	HK$'000
Authorised:				
Ordinary share of HK$0.025 each	**64,000,000**	**1,600,000**	32,000,000	800,000
Issued and fully paid:				
At 1 January	**28,914,137**	**722,853**	13,916,623	347,916
Shares issued during the year	**-**	**-**	11,200,000	280,000
Issue of consideration shares	**-**	**-**	1,100,000	27,500
Conversion of Debentures	**-**	**-**	1,487,514	37,187
Exercise of share options	**-**	**-**	1,210,000	30,250
At 31 December	**28,914,137**	**722,853**	28,914,137	722,853

Subsequent to the balance sheet date, 1,365,000,000 ordinary shares were issued at par to the debenture holder (Notes 24 and 31(d)).

By a special resolution passed on 26 May 2001, the authorised share capital of the Company was increased from HK$800,000,000 to HK$1,600,000,000 by the creation of 32,000,000,000 ordinary shares of HK$0.025 each, such new shares rank pari passu in all respects with the then existing shares of the Company.

26. Reserves

(a)

	The Group				
	Share premium HK$'000	Capital reserve on consolidation HK$'000	Exchange reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2000, as previously reported	177,064	(12,720)	(609)	(211,564)	(47,829)
Effect of adopting SSAP 30 (Note 2(b))	–	12,720	–	(12,720)	–
At 1 January 2000, as restated	177,064	–	(609)	(224,284)	(47,829)
Shares issued	99,300	–	–	–	99,300
Issue of consideration shares	41,800	–	–	–	41,800
Conversion of Debentures	14,885	–	–	–	14,885
Share issue costs	(14,650)	–	–	–	(14,650)
Exchange difference on translation of financial statements of foreign subsidiaries	–	–	1,082	–	1,082
Loss for the year	–	–	–	(563,688)	(563,688)
At 31 December 2000, as restated	318,399	–	473	(787,972)	(469,100)
At 1 January 2001, as previously reported	318,399	(371,147)	473	(416,825)	(469,100)
Effect of adopting SSAP 30 (Note 2(b))	–	371,147	–	(371,147)	–
At 1 January 2001, as restated	318,399	–	473	(787,972)	(469,100)
Exchange difference on translation of financial statements of foreign subsidiaries	–	–	(295)	–	(295)
Loss for the year	–	–	–	(199,418)	(199,418)
At 31 December 2001	318,399	–	178	(987,390)	(668,813)

Included in accumulated losses was an amount of HK$Nil (2000: HK$4,714,000), being the accumulated loss attributable to the associates.

The application of the above premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

26. Reserves *(continued)*

(b)

	The Company		
	Share premium	**Accumulated losses**	**Total**
	HK$'000	HK$'000	HK$'000
At 1 January 2000	177,064	(236,627)	(59,563)
Shares issued	99,300	–	99,300
Conversion of Debentures	14,885	–	14,885
Issue of consideration shares	41,800	–	41,800
Share issue costs	(14,650)	–	(14,650)
Loss for the year	–	(556,107)	(556,107)
At 31 December 2000	318,399	(792,734)	(474,335)
At 1 January 2001	318,399	(792,734)	(474,335)
Loss for the year	–	(238,881)	(238,881)
At 31 December 2001	318,399	(1,031,615)	(713,216)

At 31 December 2001 the aggregate amount of reserves available for distribution to shareholders of the Company was HK$Nil (2000: HK$Nil)

The application of the share premium account is governed by Section 48B of the Hong Kong Companies Ordinance.

27. Notes to the Consolidated Cash Flow Statement

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

	2001 HK$'000	2000 HK$'000
Loss from ordinary activities before taxation	**(199,769)**	(566,850)
Finance costs	**36,302**	47,105
Interest income	**(537)**	(5,419)
Depreciation	**941**	834
Impairment losses of goodwill	**40**	360,717
Income from negative goodwill	**–**	(2,290)
Net (gain)/loss on disposal of fixed assets	**(15)**	92
Bad and doubtful debts	**917**	8,626
Impairment losses of investment in unconsolidated subsidiaries	**–**	43,803
Impairment losses of investment in associates	**–**	1,916
Impairment losses of investment securities	**4,196**	–
Loss on disposal of subsidiaries	**6,118**	49,412
Impairment losses of properties held for resale	**29,620**	6,000
Impairment losses of properties under development	**1,030**	6,710
Impairment losses of properties under development for resale	**22,500**	–
Deficit on revaluation of investment properties	**83,670**	7,193
Share of results of associates	**–**	173
Decrease in amounts due from related parties	**282**	38,406
Increase in inventories	**–**	(104)
Increase in trade and other receivables	**(6,581)**	(2,205)
Increase/(decrease) in trade and other payables	**42,314**	(9,807)
Increase in amount due to ultimate holding company	**–**	75
Decrease in amounts due to fellow subsidiaries	**–**	(5,469)
Decrease in amounts due to related parties	**(35,727)**	(13,575)
Increase in amounts due from minority shareholders upon acquisition	**–**	1,143
Exchange adjustments	**–**	1,082
Net cash outflow from operating activities	**(14,699)**	(32,432)

27. Notes to the Consolidated Cash Flow Statement *(continued)*

(b) Purchase of subsidiaries

	2001 **HK$'000**	2000 HK$'000
Net assets acquired:		
Fixed assets	**–**	252,254
Properties under development	**–**	27,740
Interests in associates	**–**	860
Trade and other receivables	**22,731**	9,873
Bank and cash balances	**14**	199
Trade and other payables	**(3,258)**	(10,260)
Rental deposit received	**–**	(793)
Amounts due to fellow subsidiaries	**–**	(5,469)
Amounts due to related parties	**–**	(64,683)
Taxation	**–**	(79)
Bank overdraft	**–**	(91,758)
Secured bank loans	**(19,527)**	(14,790)
Amounts due from minority shareholders	**–**	1,143
	(40)	104,237
Goodwill	**40**	215,158
	–	319,395
Satisfied by:		
Shares issued for acquisition of a subsidiary	**–**	69,300
Transfer from investment in unconsolidated subsidiaries	**–**	31,947
Transfer from deposits paid	**–**	42,630
Amounts due from related parties	**–**	(2,166)
Cash consideration	**–**	177,674
Consideration payable	**–**	10
	–	319,395

27. Notes to the Consolidated Cash Flow Statement *(continued)*

(c) Analysis of net inflow/(outflow) of cash and cash equivalents in respect of the purchase of subsidiaries

	2001 HK$'000	2000 HK$'000
Cash consideration	**–**	(177,674)
Bank and cash balances acquired	**14**	199
Bank overdraft acquired	**–**	(91,758)
Net inflow/(outflow) of cash and cash equivalents in respect of the purchase of subsidiaries	**14**	(269,233)

(d) Disposal of subsidiaries

	2001 HK$'000	2000 HK$'000
Net assets disposed of:		
Fixed assets	**11,167**	72,953
Properties under development	**–**	65,000
Properties under development for resale	**–**	171,000
Properties held for resale	**1,885**	–
Investment securities	**–**	12,000
Trade and other receivables	**19**	19,503
Bank and cash balances	**1**	129
Trade and other payables	**(211)**	(3,785)
Amounts due to related parties	**–**	(50)
Amount due to ultimate holding company	**–**	(75)
Secured bank loans	**–**	(148,593)
Secured other loans	**(6,320)**	–
	6,541	188,082
Attributable goodwill	**–**	1,315
Incidental costs	**53**	3,601
	6,594	192,998
Net loss on disposal	**(6,118)**	(49,298)
	476	143,700
Satisfied by:		
Cash consideration	**476**	121,700
Investments in unconsolidated subsidiaries	**–**	22,000
	476	143,700

27. Notes to the Consolidated Cash Flow Statement *(continued)*

(e) Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries

	2001 **HK$'000**	2000 HK$'000
Cash consideration	**476**	121,700
Incidental costs	**(53)**	(3,601)
Cash and bank balances disposed of	**(1)**	(129)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**422**	117,970

(f) Analysis of changes in financing during the year

	Share capital and share premium HK$'000	**Bank loans** HK$'000	**Other loans** HK$'000	**Convertible Debentures** HK$'000
At 1 January 2000	524,980	268,456	63,000	32,760
Gross proceeds from issue of shares	379,300	–	–	–
Shares issued for acquisition of a subsidiary	69,300	–	–	–
Exercise of share options	30,250	–	–	–
Share issue costs	(14,650)	–	–	–
Proceeds from issue of Debentures	–	–	–	62,400
Redemption of Debentures	–	–	–	(23,400)
Penalty on default	–	–	–	3,900
Additions through acquisition of subsidiaries	–	14,790	–	–
Discharge of bank loans on disposal of subsidiaries	–	(148,593)	–	–
Repayment of loans	–	(14,004)	(52,000)	–
Conversion of Debentures	52,072	–	–	(52,072)
Effect of foreign exchange rate	–	–	–	(188)
At 31 December 2000	1,041,252	120,649	11,000	23,400
At 1 January 2001	1,041,252	120,649	11,000	23,400
Penalty accrued for Debentures	–	–	–	3,705
New loans raised	–	3,000	9,200	–
Additions through acquisition of subsidiaries	–	19,527	–	–
Discharge of other loans on disposal of subsidiaries	–	–	(6,320)	–
Repayment of loans	–	(173)	(229)	–
At 31 December 2001	1,041,252	143,003	13,651	27,105

28. Contingent Liabilities

At 31 December 2001, the properties owned by three subsidiaries of the Company, Bright Wick, Fairsheen and Solar Regent, were pledged to another bank in return for overdraft facilities granted to CBM to the extent of HK$42,400,000. CBM in turns utilised the overdraft facilities for advancement of HK$42,400,000 to the Group. The carrying value of the properties as at 31 December 2001 amounted to HK$32,300,000.

29. Commitments

(a) Capital commitments

At 31 December 2001, the capital commitments not provided for in the financial statements were as follows;

	The Group		The Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Authorised and contracted for	**-**	77,857	**-**	–
Authorised but not contracted for	**-**	–	**-**	–
	-	77,857	**-**	–

(b) Commitments under operating leases

At 31 December 2001, the future aggregate minimum lease payments under non-cancellable operating leases for the office premises of the Group are as follow:

	The Group	
	2001	2000
	HK$'000	HK$'000
Within one year	**1,816**	2,096
In the second to fifth years inclusive	**1,059**	3,058
Over five years	**-**	163
	2,875	5,317

30. Material Related Party Transactions

The properties owned by two subsidiaries of the Company, Day Success and Marson were pledged to a bank in return for mortgage loans granted to Sheen Win, a then subsidiary of CBM. The mortgage loans borrowed by Sheen Win, which were also secured by a corporate guarantee of CBM, were in turn wholly utilized by Day Success and Marson throughout the year of 2001. Sheen Win was disposed by CBM to the Company on 15 August 2001 at a consideration of HK$2.

In addition, the properties owned by three subsidiaries of the Company, Bright Wick, Fairsheen and Solar Regent, were pledged to another bank in return for overdraft facilities granted to CBM to the extent of HK$42,400,000. CBM utilized such overdraft facilities for advancement of HK$42,400,000 to Bright Wick, Fairsheen and Solar Regent in aggregate. The carrying value of the properties as at 31 December 2001 amounted to HK$32,300,000.

Mr. Wong Wai Chi was interested in the above transactions during the period from 1 January 2001 to 23 April 2001 as Mr. Wong was a common director of both CBM and the Company. Mr. Wong's interest in these transactions ceased on 23 April 2001 when he resigned from the directorship of CBM. Mr. Wong also resigned as director of the Company on 29 October 2001.

During the aforesaid period, Day Success and Marson paid interest of HK$695,000 to Sheen Win while Bright Wick, Fairsheen and Solar Regent paid interest of HK$1,510,000 to CBM in respect of the aforesaid mortgage loan and advancement respectively.

31. Events after the Balance Sheet Date

(a) On 8 January 2002, CBM filed a claim of HK$45,014,000 against the Group in relation to a defaulted loan granted by a bank of which CBM acted as a guarantor. No provision was made against the claim in 2001 as the bank loan and related accrued interests have already been reflected as liabilities of the Group.

(b) On 26 January 2002, two subsidiaries of the Group entered into two sale and purchase agreements regarding two properties held for resale with Folknice Investment Limited ("FIL"), a third party, whereby the subsidiaries agreed to dispose of two shops at Hillwood Road, Tsimshatsui, Kowloon for a total consideration of HK$14,800,000. Impairment losses of HK$14,720,000 have been made in year 2001 regarding the above. Besides, the related tenancy agreements of the above mentioned properties were assigned to FIL on completion. The related pledge of properties was subsequently released by banks.

(c) On 6 March 2002, a subsidiary of the Group was ordered by the Court to deliver vacant possession of the mortgaged property at Mount Kellett Road, the Peak, Hong Kong with carrying value of HK$80,000,000 to the mortgagee bank. The Group and the bank are now jointly organising the disposal of the property.

31. Events after the Balance Sheet Date *(continued)*

(d) During 2000, the Company failed to pay interest accrued on the Debentures and therefore committed an event of default as stipulated in the terms and conditions of the subscription agreement entered into between the Company and an independent third party, Mohawk LLC. On 13 July 2001 Mohawk LLC and the Company entered into a redemption agreement for the full repayment of US$3,325,000 by five installments but the Company failed to honour the agreed settlement, Accordingly, on 4 October 2001, Mohawk LLC filed a winding up petition against the Company.

On 21 March 2002, the Company entered into a Settlement Agreement ("Agreement") with Mohawk LLC. Pursuant to the Agreement and subject to the fulfillment of the Company's obligations under the Agreement, the Company will be released and discharged of all of its obligations and liabilities to repay the debt as accrued from time to time under the redemption agreement entered into by the two parties on 13 July 2000. In consideration for this, the Company will (i) pay to Mohawk LLC US$1,250,000 in cash; (ii) issue to Mohawk LLC 1,365,000,000 new shares of the Company at par of HK$0.025 per share; and (iii) reimburse by cash to Mohawk LLC for the legal costs and expenses reasonably incurred by Mohawk LLC.

For (i) mentioned above, the Company has paid US$200,000 upon the signing of the Agreement and the balance in the sum of US$1,050,000 will be paid by 12 equal consecutive monthly installments of US$87,500 each, commencing on 15 April 2002 and thereafter on the 15th day of each and every succeeding calendar month.

For (ii) mentioned above, the total 1,365,000,000 new shares were issued to Mohawk LLC on 4 April 2002.

Following the execution of the Agreement and the issuance of new shares, the winding up petition filed by Mohawk LLC against the Company on 4 October 2001 was dismissed by consent on 15 April 2002.

(e) On 21 December 2001, the Company entered into an agreement with a third party for the sales and purchases of shares in and loan to Luckyear Enterprises Limited which is engaging in the vehicles assembling business in PRC. On 23 April 2002, the Company served a written notice to the third party pursuant to the terms of the agreement to terminate the agreement as the Company could not completely satisfy with the result of the due diligence review over Luckyear Enterprises Limited and its associates.

32. Comparative Figures

Certain comparative figures have been reclassified to conform with the current year's presentation.