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1. CORPORATE INFORMATION

During the year, the Group was involved in the provision of logistics technology services and the operation of bowling recreation centres in major cities within Fujian Province of The People's Republic of China (the "PRC"). During the year, the Group acquired a business involved in the provision of logistics technology services, further details of which are set out in note 30(c) to the financial statements. In addition, during the year, the Group subscribed for certain exchangeable notes and these exchangeable notes were all exercised subsequently after the balance sheet date for the issued share capital of a company, a subsidiary of which is involved in the provision of logistics technology services. Further details of the transactions are set out in notes 19 and 32(a) to the financial statements. The operation of bowling recreation centres was discontinued following the disposal during the year of all of the subsidiaries operating bowling recreation centres (note 6).

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following recently-issued and revised Hong Kong Statements of Standard Accounting Practice ("SSAPs") are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised) : Events after the balance sheet date
- 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

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

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2. **IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE** (continued)

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. SSAP 28 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. SSAP 29 has had no major impact on these financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. The adoption of the SSAP has not resulted in a prior year adjustment. The required new additional disclosure is included in note 15 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. SSAP 32 has had no major impact on these financial statements.

3. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of consolidation

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

Subsidiaries

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

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

Joint venture companies

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

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

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

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

(c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in consolidated reserves, is included as part of the Group's interests in associates.

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

On disposal of subsidiaries and associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant reserves, as appropriate.

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

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

Impairment of assets

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

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises.

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.

Fixed assets and depreciation

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

Changes in the values of fixed assets are dealt with as movements in the fixed asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the fixed asset revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

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

Leasehold land	Over the lease terms
Buildings	2.5% – 4%
Leasehold improvements	10% – 16.7%
Bowling equipment	6.7%
Motor vehicles, computer and office equipment, furniture and fixtures	15% – 25%

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

Long term investments

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

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

Contracts for services

Contract revenue on the rendering of services comprises the agreed contract amount. Costs of rendering services comprise labour and other costs of personnel directly engaged in providing the services, and attributable overheads.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Contracts for services (continued)

Revenue from the rendering of services is recognised based on the percentage of completion of the transaction, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The percentage of completion is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction.

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

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

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a 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 the estimated selling prices less any estimated costs necessary to make the sale.

Cash equivalents

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

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

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

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

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

(b) from the rendering of services, based on the percentage of completion basis, as further explained in the accounting policy for "Contracts for services" above;

(c) membership fee income, on a time proportion basis over the period of the membership;

(d) rental income, on a time proportion basis over the lease terms; and

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

Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

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 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 employees of the Group's subsidiaries which operate in the PRC are required to participate in central pension schemes operated by the local municipal government. These PRC subsidiaries are required to contribute 14% of their payroll costs to the central pension schemes.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Related parties

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

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4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments during the year are as follows:

(a) the logistics technology segment provides consultancy services for logistics management and together with the supply of the related software; and

(b) the bowling recreation segment (discontinued during the year – note 6) involves the operation of bowling recreation centres.

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.

No intersegment sales and transfers were transacted during the year (2000: Nil).

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4. SEGMENT INFORMATION (continued)

(a) Business segments

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

Group

	Continuing operations Logistics technology		Discontinued operations Bowling recreation		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	61,920	–	889	10,019	62,809	10,019
Rental income	–	–	1,132	4,792	1,132	4,792
Total	61,920	–	2,021	14,811	63,941	14,811
Segment results	(25,921)	(15,563)	(666)	(5,521)	(26,587)	(21,084)
Interest income					6,791	6,552
Unallocated expenses					(2,287)	(2,464)
Loss from operating activities					(22,083)	(16,996)
Finance costs					(326)	(509)
Share of loss of an associate					(70)	–
Loss before tax					(22,479)	(17,505)
Tax					(183)	(2,045)
Loss before minority interests					(22,662)	(19,550)
Minority interests					(1,690)	–
Net loss from ordinary activities attributable to shareholders					(24,352)	(19,550)

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4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Continuing operations Logistics technology		Discontinued operations Bowling recreation		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets	166,276	10,934	–	62,329	166,276	73,263
Interest in an associate	3,649	–	–	–	3,649	–
Long term listed investments					60,498	–
Unallocated assets					133,048	197,587
Total assets					363,471	270,850
Segment liabilities	12,357	–	4,150	20,318	16,507	20,318
Unallocated liabilities					39,286	5,189
Total liabilities					55,793	25,507
Other segment information:						
Depreciation	1,367	16	349	5,897	1,716	5,913
Co-operation fee	–	–	75	372	75	372
Capital expenditure	15,267	3,784	–	27	15,267	3,811
Gain on disposal of leasehold land and deposits paid for investment properties	–	–	–	3,760	–	3,760
Deficit on revaluation of leasehold land and buildings	–	–	–	1,905	–	1,905
Write-off of leasehold improvements	–	3,558	–	–	–	3,558

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4. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

Group

	The PRC		Hong Kong		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	61,168	10,019	1,641	–	62,809	10,019
Segment results	(3,243)	(5,521)	(23,344)	(15,563)	(26,587)	(21,084)
Other segment information:						
Segment assets	161,356	70,726	202,115	200,124	363,471	270,850
Capital expenditure	5,373	27	9,894	3,784	15,267	3,811

5. TURNOVER AND REVENUE

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and the value of services rendered.

Revenue from the following activities has been included in turnover:

	Group	
	2001	2000
	HK$'000	HK$'000
Logistics technology business	**61,920**	–
Bowling recreation business	**889**	10,019
	62,809	10,019

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6. DISCONTINUED OPERATIONS

During the year, the Group focused particularly on the logistics technology business. Therefore, on 15 May 2001, the Group completely disposed of certain subsidiaries, the principal activity of which was the operation of bowling recreation centres in the PRC. The bowling recreation business was accounted for until the date of its disposal, at which time the assets and liabilities of the business were transferred out of the Group and taken into consideration in calculating the loss on disposal of discontinued operations.

7. LOSS FROM OPERATING ACTIVITIES

The Group's loss from operating activities is arrived at after charging:

	2001	2000
	HK$'000	HK$'000
Cost of inventories sold	**14,680**	7,538
Cost of services provided	**28,528**	–
Depreciation	**1,716**	5,913
Minimum lease payments under operating leases in respect of land and buildings	**6,153**	909
Auditors' remuneration	**563**	596
Co-operation fee	**75**	372
Loss on disposal of fixed assets	**46**	–
Exchange losses, net	**18**	–
Amortisation of goodwill *	**771**	–
Staff costs, excluding directors' remuneration (note 9):		
Salaries	**36,008**	5,686
Retirement benefits scheme contributions	**221**	418
	36,229	6,104

and after crediting:

Bank interest income	**5,580**	3,198
Other loan interest income	**1,211**	3,354
Rental income, net of outgoings of nil (2000: HK$251,000)	**1,132**	4,541

The costs of inventories sold and services provided include HK$24,312,000 (2000: HK$4,946,000) relating to staff costs, depreciation, minimum lease payments under operating leases in respect of land and buildings and co-operation fee, which amounts are also included in the respective total amounts disclosed separately above for each of these types of expenses.

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

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8. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	HK$'000
Interest on bank loans wholly repayable within one year	**132**	412
Interest on a loan from a director	**–**	97
Interest on a convertible bond	**194**	–
Total finance costs	**326**	509

9. DIRECTORS' REMUNERATION

The remuneration of the Company's directors disclosed pursuant to the Rules Governing the Listing of Securities (the "Listing Rules") on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Fees	**211**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**2,211**	32
Retirement benefits scheme contributions	**26**	1
	2,448	33

Fees include HK$210,986 (2000: Nil) payable to the non-executive directors.

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9. DIRECTORS' REMUNERATION (continued)

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

	Number of directors	
	2001	2000
Nil to HK$1,000,000	**11**	15
HK$1,000,001 – HK$1,500,000	**1**	–
	12	15

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2000: Nil).

10. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year include two (2000: Nil) directors, details of whose remuneration are set out in note 9 to the financial statements. Details of the remuneration of the remaining three (2000: five) non-director, highest paid employees are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,811**	2,020
Retirement benefits scheme contributions	**25**	4
	1,836	2,024

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10. FIVE HIGHEST PAID EMPLOYEES (continued)

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

	Number of employees	
	2001	2000
Nil to HK$1,000,000	**3**	5

11. TAX

	2001	2000
	HK$'000	HK$'000
Group:		
Hong Kong	**183**	–
Elsewhere	**–**	2,045
Tax charge for the year	**183**	2,045

Hong Kong profits tax has been provided at the rate of 16% on the estimated assessable profits arising in Hong Kong during the year. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong in the prior year.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof. The tax recoverable as at 31 December 2000 represented tax paid in excess of the estimated tax liability.

亞洲物流科技(中國)有限公司 and 漢普管理咨詢(中國)有限公司, subsidiaries established in the PRC during the current year are exempted from the PRC income tax for two years from their first profit making year of operations and thereafter are eligible to a 50% relief from the PRC income tax for the following three years under the Income Tax Law of the PRC. Upon expiry of the tax relief period, these subsidiaries will be subject to the PRC income tax rate of 33%.

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11. TAX (continued)

Deferred tax has not been provided for the Group and the Company as there were no significant timing differences giving rise to deferred tax liabilities at 31 December 2001 (2000: Nil).

12. NET LOSS FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company was HK$46,122,000 (2000: HK$39,026,000).

13. LOSS PER SHARE

The calculation of basic loss per share is based on the net loss from ordinary activities attributable to shareholders for the year of HK$24,352,000 (2000: HK$19,550,000), and the weighted average of 2,885,446,921 (2000: 2,328,372,542) ordinary shares in issue during the year.

Diluted loss per share amounts for the years ended 31 December 2001 and 31 December 2000 have not been shown, as the share options outstanding during these years and the convertible bond outstanding during the current year had anti-dilutive effects on the basic loss per share for these years.

14. FIXED ASSETS

Group

	Leasehold land and buildings HK$'000	Leasehold improvements HK$'000	Bowling equipment HK$'000	Motor vehicles, computer and office equipment, furniture and fixtures HK$'000	Total HK$'000
Cost or valuation:					
At beginning of year	12,276	24,010	28,317	3,278	67,881
Additions	–	1,417	–	13,850	15,267
Acquisition of a business	–	–	–	1,449	1,449
Disposals	–	–	–	(108)	(108)
Disposal of subsidiaries	(12,276)	(24,010)	(28,317)	(2,943)	(67,546)
At 31 December 2001	–	1,417	–	15,526	16,943
Analysis of cost or valuation:					
At cost	–	1,417	–	15,526	16,943
At valuation	–	–	–	–	–
	–	1,417	–	15,526	16,943
Accumulated depreciation:					
At beginning of year	140	4,372	7,473	2,613	14,598
Provided during the year	–	777	287	652	1,716
Disposals	–	–	–	(62)	(62)
Disposal of subsidiaries	(140)	(5,063)	(7,760)	(2,597)	(15,560)
At 31 December 2001	–	86	–	606	692
Net book value:					
At 31 December 2001	–	1,331	–	14,920	16,251
At 31 December 2000	12,136	19,638	20,844	665	53,283

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14. **FIXED ASSETS** (continued)

Company

	Computer and office equipment HK$'000
Cost:	
At beginning of the year	226
Additions	2,185
Disposals	(1,485)
At 31 December 2001	926
Accumulated depreciation:	
At beginning of the year	16
Provided during the year	234
Disposals	(250)
At 31 December 2001	–
Net book value:	
At 31 December 2001	926
At 31 December 2000	210

The Group's land and buildings, held outside Hong Kong under medium term leases at 31 December 2000 were revalued individually at an aggregate open market value of HK$12,276,000 based on their existing use as at 31 August 2000 by LCH (Asia-Pacific) Surveyors Limited ("LCH"), an independent firm of professional valuers. The deficit of HK$1,905,000, representing the shortfall of the revalued amounts over the then carrying values of these properties, was charged to the profit and loss account for the year ended 31 December 2000. The directors, based on an update from LCH, were of the opinion that the recoverable amounts of the leasehold land and buildings did not materially differ from their carrying values as at 31 December 2000.

Had the Group's land and buildings at 31 December 2000 been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK$29,642,000 at 31 December 2000.

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15. GOODWILL

The amounts of the goodwill capitalised as an asset, arising from the acquisition of a business during the year are as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Cost:		
Acquisition of a business and at end of year	**18,175**	–
Accumulated amortisation:		
Amortisation provided during the year and at end of year	**771**	–
Net book value:		
At end of year	**17,404**	–

16. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$'000	HK$'000
Unlisted investments, at cost	**143,939**	133,010
Due from subsidiaries	**179,378**	43,368
Due to subsidiaries	**(1,394)**	(64,155)
	321,923	112,223
Less: Provision for impairment	**(139,900)**	(60,477)
	182,023	51,746

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

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16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Digital Fun Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	–	Logistics technology business
Cyberguide Inc.	British Virgin Islands/ Hong Kong	Ordinary US$1	100	–	Logistics technology business
Vision On-Line Limited	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Asia Logistics Technologies (Hong Kong) Limited	Hong Kong	Ordinary HK$10,000	100	–	Provision of management services
Funcapital Inc.	British Virgin Islands	Ordinary US$1	100	–	Investment holding
Asia Top Investment Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	–	Logistics technology business
Best Cyber Limited	British Virgin Islands/ Hong Kong	Ordinary US$1	100	–	Investment in securities business
Asia Logistics Technologies Services Limited *	Hong Kong	Ordinary HK$2	100	–	Logistics technology business

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16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued share/registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Front Yard Investment Limited *	British Virgin Islands/ Hong Kong	Ordinary US$1	100	–	Investment in securities
Oriental Supremacy Ltd.*	British Virgin Islands	Ordinary US$1	100	–	Investment holding
亞洲物流科技(中國)有限公司 ("ALT China")	PRC	Registered capital US$1,400,000	100	–	Logistics technology business
Huayi (Quanzhou) Bowling Recreation Co., Ltd. #	PRC	Registered capital US$1,200,000	–	100	Operation of a bowling recreation centre
Huayi (Xiamen) Bowling Entertainment Co., Ltd. #	PRC	Registered capital US$1,800,000	–	100	Operation of a bowling recreation centre
Zhangping Jiabao Recreation Co., Ltd. #	PRC	Registered capital RMB8,600,000	–	100	Operation of a bowling recreation centre
漢普管理咨詢(中國)有限公司 ("HAN China") *	PRC	Registered capital US$6,000,000	–	57.1	Logistics technology business

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16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows (continued):

Name	Place of incorporation/ registration and operations	Nominal value of issued share/registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Han International Consulting Company Limited	British Virgin Islands	Ordinary US$1,141	–	57.1	Investment holding
Han Consulting (Services) Limited *	Hong Kong	Ordinary HK$2	–	57.1	Logistics technology business
Han Consulting (Hong Kong) Limited *	Hong Kong	Ordinary HK$100	–	57.1	Logistics technology business

* subsidiaries incorporated/established during the year.

\# subsidiaries disposed of during the year.

Note: ALT China and HAN China are wholly foreign owned enterprises established in the PRC. The registered capitals are US$1.4 million and US$6 million, respectively, of which US$1.4 million and US$3.3 million, respectively, were paid up as at 31 December 2001.

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

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17. INTEREST IN AN ASSOCIATE

	Group 2001 HK$'000	Group 2000 HK$'000
Share of net assets	**3,649**	–

Particulars of the associate acquired during the year are as follows:

Name	Business structure	Place of registration and operations	Percentage of ownership interest attributable to the Group	Principal activity
Held indirectly:				
武漢東浦信息技術有限公司	Corporate	PRC	22.84	Logistics technology business

18. LONG TERM LISTED INVESTMENTS

	Group 2001 HK$'000	Group 2000 HK$'000
Hong Kong listed equity investments, at cost	**60,498**	–

The market values of the Group's long term listed equity investments at the balance sheet date and at the date of approval of these financial statements were approximately HK$61.7 million and HK$41.7 million, respectively.

At 31 December 2001, the carrying value of the following investment exceeded 10% of the total assets of the Group:

Name	Place of incorporation	Principal activity	Issued share capital	Percentage of equity interest
New World CyberBase Limited ("NWCB")	Bermuda	Provision of one-stop-shop e-business solutions	3,805,307,441 ordinary shares of of HK$0.02 each	18.5

Subsequent to the balance sheet date, the Company's interest in NWCB was increased to approximately 27.5%, as further detailed in note 32(d) to the financial statements. Consequently, the interest in NWCB will be equity accounted for in the financial year ending 31 December 2002.

19. EXCHANGEABLE NOTES

On 8 January 2001, Funcapital Inc. ("Funcapital", a wholly-owned subsidiary of the Company) subscribed for HK$34,000,000 of exchangeable notes (the "45% Exchangeable Notes") issued by Westwood Technology Co., Ltd. ("Westwood", a company incorporated in the British Virgin Islands). On 8 June 2001, Funcapital subscribed for a further HK$41,560,000 of exchangeable notes (the "55% Exchangeable Notes") issued by Westwood. The 45% Exchangeable Notes and the 55% Exchangeable Notes together gave Funcapital the ability to exchange the notes for 100% of the issued capital of Cyber Pilot Limited ("Cyber Pilot", a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of Westwood). The total subscription price of the 45% Exchangeable Notes and the 55% Exchangeable Notes was satisfied in full at completion by a cash payment of HK$75,560,000.

The 45% Exchangeable Notes bore interest at 5% per annum payable only on redemption at maturity, no interest was payable if the notes were ever exchanged for shares in Cyber Pilot. The 45% Exchangeable Notes were secured by a share charge over all of the shares in Cyber Pilot. The 45% Exchangeable Notes were exchangeable at anytime by Funcapital into shares in Cyber Pilot on the basis that if all the notes were exercised, they would be exchanged for 45% of the issued capital of Cyber Pilot. On the maturity date of the 45% Exchangeable Notes on 8 January 2002, any outstanding 45% Exchangeable Notes were redeemable for cash.

The 55% Exchangeable Notes were issued on the same terms as the 45% Exchangeable Notes, except that if all of the 55% Exchangeable Notes were exercised, they would be exchanged for 55% of the existing issued capital of Cyber Pilot, and that the 55% Exchangeable Notes were non interest-bearing.

Further details of the subscription of the above exchangeable notes are set out in a circular to the shareholders of the Company dated 29 June 2001.

Subsequent to the balance sheet date, on 3 January 2002, Funcapital exercised all of the 45% Exchangeable Notes and 55% Exchangeable Notes in exchange for 100% of the issued capital of Cyber Pilot, which thereafter became a wholly-owned subsidiary of the Company.

Cyber Pilot owns a 52% equity interest in Fusion Tech Holding Limited, which owns a 100% equity interest in Compass E-Commerce Limited, which in turn owns a 100% equity interest in 北京金柏新幹線信息科技有限公司 ("Xinganxian"), a third party logistics and supply chain technology and consultancy services provider in the PRC. The fair value of the 100% equity interest in Xinganxian was valued by VC Partners (Asia) Limited, independent professional valuers, at HK$164 million on 31 December 2001 based on the discounted cash flow method.

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20. PREPAID CO-OPERATION FEE

The prepaid co-operation fee at 31 December 2000 represented the amount prepaid by Huayi (Xiamen) Bowling Entertainment Co., Ltd. ("Huayi Xiamen"), a then wholly-owned subsidiary of the Company, on behalf of Xiamen City Sports Centre, a then co-operative partner of Huayi Xiamen. The co-operative agreement involved the operation of a bowling recreation centre in Xiamen, the PRC, for a duration of 45 years, during which the Group was committed to a maximum annual payment of RMB1,000,000 (equivalent to HK$930,000) of the co-operative's profits to Xiamen City Sports Centre. Pursuant to the co-operative agreement, the prepayment could be used to offset against the profits attributable to Xiamen City Sports Centre and otherwise payable in future years from the operation of the bowling recreation centre.

21. INVENTORIES

	Group	
	2001	2000
	HK$'000	HK$'000
Computer software	**1,131**	2,000
Bowling accessories, souvenirs, food and drinks	**–**	302
	1,131	2,302

None of the above inventories was carried at net realisable value as at 31 December 2001 (2000: Nil).

22. TRADE RECEIVABLES

An aged analysis of the trade receivables as at 31 December 2001, based on the date of recognition of the sale, is as follows:

	Group	
	2001	2000
	HK$'000	HK$'000
Current to 90 days	**24,229**	–
91 to 180 days	**1,351**	–
	25,580	–

The Group normally allows credit terms to customers of not exceeding 180 days.

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23. CASH AND CASH EQUIVALENTS AND PLEDGED TIME DEPOSITS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash and bank balances	**4,426**	8,754	**433**	319
Time deposits	**128,622**	188,833	**126,122**	188,833
	133,048	197,587	**126,555**	189,152
Less: Pledged time deposits for Xinganxian banking facilities	**(2,500)**	–	**–**	–
	130,548	197,587	**126,555**	189,152

24. TRADE PAYABLES

The trade payables balances as at 31 December 2000 and 31 December 2001 were aged less than three months.

25. INTEREST-BEARING BANK LOANS

	Group	
	2001	2000
	HK$'000	HK$'000
Interest-bearing bank loans	**–**	5,720

The Group's bank loans at 31 December 2000 were unsecured, interest-bearing and were repayable within one year from the respective dates of drawdown.

26. DUE TO A RELATED COMPANY

The amount due to a related company which is controlled by a director of the Company, is unsecured, interest-free and has no fixed terms of repayments

27. CONVERTIBLE BOND

Pursuant to a sale and purchase agreement dated 16 October 2001 entered into between Best Cyber Limited ("Best Cyber", a wholly-owned subsidiary of the Company) and New World CyberBase Nominee Limited ("NWCN", a company incorporated in the British Virgin Islands and a 95% subsidiary of New World Development Company Limited, a company incorporated in Hong Kong, the shares of which are listed on the Stock Exchange), NWCN agreed to sell 704,086,000 shares of New World CyberBase Limited ("NWCB", a company incorporated in Bermuda, the shares of which are listed on the Stock Exchange), representing approximately 18.5% of the then existing issued share capital of NWCB, to Best Cyber at a total consideration of HK$49,286,000. The consideration was satisfied by the allotment and issue of 100,000,000 shares of HK$0.01 each in the capital of the Company at a price of HK$0.10 per share and the issue of the convertible bond in an aggregate principal amount of HK$39,286,000 (the "Convertible Bond") by the Company to NWCN.

The Convertible Bond is convertible at an initial conversion price of HK$0.10 per share of the Company (subject to adjustment) at any time from and including the first anniversary of the date of the issue of the Convertible Bond (i.e. 1 November 2002) until the maturity date ending on the business day last preceding the third anniversary of the date of the issue of the Convertible Bond (i.e. 1 November 2004). The Convertible Bond bears interest at 3% per annum accrued from the date of issue on a day-to-day basis on the principal amount of the Convertible Bond outstanding, payable semi-annually in arrears. The outstanding principal amount of the Convertible Bond together with interest accrued thereon shall, unless previously converted into the Company's shares or redeemed in accordance with the terms of the Convertible Bond, be repaid subject to and in accordance with the terms of the Convertible Bond on 1 November 2004.

Further details of the transaction are set out in a circular to the shareholders of the Company dated 26 October 2001.

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28. SHARE CAPITAL

Shares

	2001 HK$'000	2000 HK$'000
Authorised:		
10,000,000,000 ordinary shares of HK$0.01 each	**100,000**	100,000
Issued and fully paid:		
3,182,434,000 (2000: 2,576,588,000) ordinary shares of HK$0.01 each	**31,824**	25,766

During the year, the following movements in the Company's issued share capital took place:

(a) On 21 May 2001, Golden Infinity Co., Ltd. ("Golden Infinity"), a company incorporated in the British Virgin Islands and beneficially owned by Mr. Lo Lin Shing, Simon, a director of the Company, entered into a placing agreement with an independent placing agent, for the placement of 328,660,000 shares of HK$0.01 each in the capital of the Company at a price of HK$0.175 per share to independent third parties. Pursuant to a subscription agreement also dated 21 May 2001, Golden Infinity subscribed for 505,846,000 new ordinary shares of HK$0.01 each in the capital of the Company also at a price of HK$0.175 per share. The placing and the subscription of the new shares were completed on 4 June 2001. A sum of approximately HK$86,870,000, net of share issue expenses, was raised and used by the Group for general working capital purposes. The excess of the proceeds over the nominal value of the shares issued was credited to the share premium account.

(b) During the year, the Company acquired an approximate 18.5% equity interest in NWCB from NWCN at a consideration of HK$49,286,000. The consideration was satisfied by the allotment and issue of 100,000,000 shares of HK$0.01 each in the capital of the Company at a price of HK$0.10 per share and the issue of the Convertible Bond in an aggregate principal amount of HK$39,286,000 by the Company to NWCN. For further details, please refer to note 27 to the financial statements.

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28. SHARE CAPITAL (continued)

Shares (continued)

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

		Carrying amount 2001 HK$'000	**No. of shares 2001 '000**	Carrying amount 2000 HK$'000	No. of shares 2000 '000
At beginning of year		**25,766**	**2,576,588**	20,000	2,000,000
Placement of new shares	(a)	**5,058**	**505,846**	4,000	400,000
Shares issued for acquisition of NWCB	(b)	**1,000**	**100,000**	–	–
Warrants exercised		**–**	**–**	1,646	164,588
Share options exercised		**–**	**–**	120	12,000
At end of year		**31,824**	**3,182,434**	25,766	2,576,588

Please also refer to note 32(g) to the financial statements for details of a conditional share subscription agreement entered into by the Company after the year end.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 18 to 20.

At the beginning of the year and at the balance sheet date, there were 114,000,000 options outstanding under the Scheme, which entitle the holders to subscribe for shares of the Company at any time between 15 August 2000 to 14 August 2003. The subscription price payable upon the exercise of these options is HK$0.284, subject to adjustment. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 114,000,000 additional shares of HK$0.01 each and proceeds of approximately HK$32,376,000.

Subsequent to the balance sheet date, further share options were granted, as further detailed in note 32(c) to the financial statements.

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29. RESERVES

Group

	Share premium account HK$'000	Fixed asset revaluation reserve HK$'000	PRC statutory surplus reserve HK$'000 (note ii)	Discretionary surplus reserve HK$'000 (note iii)	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2000	31,053	3,277	13,214	26,428	37,780	111,752
Premium on issue of shares	149,269	–	–	–	–	149,269
Share issue expenses	(2,418)	–	–	–	–	(2,418)
Disposal of a subsidiary	–	–	(6,492)	(12,984)	–	(19,476)
Revaluation reserve realised on disposal of a subsidiary	–	(3,277)	–	–	3,277	–
Loss for the year	–	–	–	–	(19,550)	(19,550)
Appropriation to surplus reserves	–	–	467	934	(1,401)	–
At 31 December 2000 and 1 January 2001	177,904	–	7,189	14,378	20,106	219,577
Premium on issue of shares	92,464	–	–	–	–	92,464
Share issue expenses	(1,774)	–	–	–	–	(1,774)
Disposal of subsidiaries	–	–	(7,189)	(14,378)	–	(21,567)
Loss for the year	–	–	–	–	(24,352)	(24,352)
At 31 December 2001	268,594	–	–	–	(4,246)	264,348
Reserves retained by:						
Company and subsidiaries	268,594	–	–	–	(4,176)	264,418
Associate	–	–	–	–	(70)	(70)
At 31 December 2001	268,594	–	–	–	(4,246)	264,348
Company and subsidiaries	177,904	–	7,189	14,378	20,106	219,577
At 31 December 2000	177,904	–	7,189	14,378	20,106	219,577

29. RESERVES (continued)

Company

	Share premium account HK$'000 (note i)	Accumulated losses HK$'000	Total HK$'000
At 1 January 2000	164,043	(52,291)	111,752
Premium on issue of shares	149,269	–	149,269
Share issue expenses	(2,418)	–	(2,418)
Loss for the year	–	(39,026)	(39,026)
At 31 December 2000 and 1 January 2001	310,894	(91,317)	219,577
Premium on issue of shares	92,464	–	92,464
Share issue expenses	(1,774)	–	(1,774)
Loss for the year	–	(46,122)	(46,122)
At 31 December 2001	401,584	(137,439)	264,145

Notes:

(i) The share premium account of the Company includes a share premium arising from the share exchange upon the reorganisation, of approximately HK$132,990,000, which represents the difference between the nominal value of the shares of the Company issued in exchange for the entire issued share capital of Eastern Gold Holdings Limited and the value of the underlying net assets of the subsidiaries at the date they were acquired by the Company on 11 September 1998. Under the Companies Law (2000 Revision) of the Cayman Islands, the share premium account is distributable to the shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

(ii) The relevant PRC laws and financial regulations require all PRC subsidiaries of the Group to transfer 10% of their profit after tax, prepared in accordance with PRC accounting standards, to the PRC statutory surplus reserve until the balance reaches 50% of the paid-up registered capital. Such reserve can be used to reduce any losses incurred and to increase capital. Except for the reduction of losses incurred, any other usage should not result in this reserve balance falling below 25% of the registered capital.

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29. RESERVES (continued)

Notes: (continued)

(iii) In accordance with the relevant PRC financial regulations and subject to approval by shareholders in general meetings, 20% of the profit after tax of the PRC subsidiaries of the Group, prepared in accordance with PRC accounting standards, is transferred to the discretionary surplus reserve which can be used to reduce any losses incurred, increase registered capital or to pay dividends.

(iv) The Company's reserves available for distribution comprise the share premium account and accumulated losses. At 31 December 2001, in the opinion of the directors, the reserves of the Company available for distribution to shareholders amounted to HK$264,145,000 (2000: HK$219,577,000) subject to the restrictions stated in note 29(i) above.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK$'000	HK$'000
Loss from operating activities	**(22,083)**	(16,996)
Interest income	**(6,791)**	(6,552)
Depreciation	**1,716**	5,913
Co-operation fee	**75**	372
Gain on disposal of leasehold land	**–**	(1,880)
Gain on disposal of deposits paid for investment properties	**–**	(1,880)
Deficit on revaluation of leasehold land and buildings	**–**	1,905
Write-off of leasehold improvements	**–**	3,558
Loss on disposal of discontinued operations	**534**	5,684
Loss on disposal of fixed assets	**46**	–
Amortisation of goodwill	**771**	–
Decrease/(increase) in inventories	**869**	(1,922)
Increase in trade receivables	**(25,580)**	–
Increase in prepayments, deposits and other receivables	**(22,913)**	(8,623)
Increase/(decrease) in trade payables	**623**	(368)
Increase/(decrease) in other payables and accruals	**8,977**	(8,043)
Increase in an amount due to a related company	**377**	–
Net cash outflow from operating activities	**(63,379)**	(28,832)

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

(b) Analysis of changes in the Group's financing during the years

	Issued capital (including share premium account) HK$'000	Bank loans HK$'000	Loan from a director HK$'000	Minority interests HK$'000
At 1 January 2000	51,053	6,045	4,843	–
Issue of ordinary shares for cash	155,035	–	–	–
Share issue expenses	(2,418)	–	–	–
Repayment of bank loans	–	(325)	–	–
Repayment of a loan from a director	–	–	(4,843)	–
At 31 December 2000 and 1 January 2001	203,670	5,720	–	–
Issue of ordinary shares for cash	88,522	–	–	–
Issue of ordinary shares for acquisition of NWCB	10,000	–	–	–
Share issue expenses	(1,774)	–	–	–
Disposal of subsidiaries	–	(5,720)	–	–
Issue of shares of a subsidiary to minority shareholders of that subsidiary	–	–	–	9,816
Share of profit after tax of subsidiaries	–	–	–	1,690
At 31 December 2001	300,418	–	–	11,506

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

(c) Acquisition of a business

	Group	
	2001	2000
	HK$'000	HK$'000
Net assets acquired:		
Fixed assets	**1,449**	–
Goodwill on acquisition	**18,175**	–
Consideration	**19,624**	–
Satisfied by:		
Cash	**9,808**	–
Issue of shares of a subsidiary to a minority shareholders of that subsidiary	**9,816**	–
	19,624	–

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

	Group	
	2001	2000
	HK$'000	HK$'000
Cash consideration	**9,808**	–

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

(c) Acquisition of a business (continued)

On 3 January 2001 and 5 January 2001, an acquisition agreement and a transfer of business agreement (collectively the "Agreements") were entered into between, inter alia, Dr. Zhang Hou Qi ("Dr. Zhang") and Vision On-Line Limited ("Vision", a company incorporated in the British Virgin Islands and a wholly-owned subsidiary of the Company), pursuant to which Dr. Zhang agreed to procure that 北京漢普管理咨詢有限公司 ("Sinohelp", a company established in the PRC and is approximately 68% owned by Dr. Zhang) transfer its business to HAN China.

The consideration under the Agreements was satisfied by a cash consideration of RMB10.5 million and the issuance of 49% share capital of Han International Consulting Company Limited ("HAN BVI") to the then existing equity holders of Sinohelp, including Dr. Zhang. HAN BVI, a company incorporated in the British Virgin Islands, holds a 100% equity interest in HAN China.

In addition, pursuant to the Agreements, if the acquired business achieves audited revenue and audited profit after tax of RMB150 million and RMB30 million, respectively, during the 12 months following the completion of the acquisition on 5 March 2001, the Group will have to pay RMB4.5 million to Dr. Zhang.

The acquisition and transfer of business were completed on 5 March 2001 and Dr. Zhang has been appointed as one of the directors of HAN China following the completion of the Agreements.

Further details of the transaction are set out in the Company's press announcement dated 3 January 2001.

Since its acquisition, the business contributed approximately HK$58 million to the Group's turnover and a profit after tax and before minority interests of approximately HK$3 million for the year ended 31 December 2001.

For the year ended 31 December 2001, the acquired business contributed approximately HK$18 million to the Group's net operating cash outflows, paid approximately HK$4 million in respect of the cash flows for investing activities, gave rise to financing cash flows of approximately HK$26 million, but had no significant impact in respect of the Group's cash flows for net returns on investments and servicing of finance or the payment of tax.

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

(d) Disposal of subsidiaries

	Group	
	2001	2000
	HK$'000	HK$'000
Net assets disposed of:		
Fixed assets	**51,986**	37,846
Investment property	**–**	3,255
Prepaid co-operation fee	**8,436**	–
Inventories	**302**	26
Tax recoverable	**486**	–
Prepayments, deposits and other receivables	**1,244**	132
Cash and bank balances	**8,807**	–
Trade payables	**(207)**	–
Tax payable	**(1,561)**	–
Other payables and accruals	**(13,399)**	–
Interest-bearing bank loans	**(5,720)**	–
PRC statutory surplus reserve	**(7,189)**	(6,492)
Discretionary surplus reserve	**(14,378)**	(12,984)
	28,807	21,783
Capital gains tax payable	**1,727**	1,901
Loss on disposal of discontinued operations	**(534)**	(5,684)
Consideration	**30,000**	18,000
Satisfied by:		
Cash consideration received	**30,000**	18,000

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

(d) Disposal of subsidiaries (continued)

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

	Group	
	2001	2000
	HK$'000	HK$'000
Cash consideration:		
Disposal of subsidiaries	**30,000**	18,000
Cash and bank balances disposal of	**(8,807)**	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	**21,193**	18,000

The subsidiaries disposed of during the year made no significant contribution to the Group in respect of the cash flows, turnover or net loss attributable to shareholders for the year.

(e) Major non-cash transaction

During the year, the Company acquired approximately 18.5% in NWCB from NWCN. The consideration was satisfied as to HK$10 million by the issue of 100 million shares of HK$0.01 each in the capital of the Company at a price of HK$0.10 per share and the balance by the issue of the Convertible Bond. For further details of the transaction, please refer to notes 27 and 28(b) to the financial statements.

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31. COMMITMENTS

(a) Capital commitments

	Group 2001 HK$'000	Group 2000 HK$'000
Contracted for:		
Capital injection to a subsidiary in the PRC	**21,096**	10,920

(b) Operating lease arrangements

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

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

	Group 2001 HK$'000	Group 2000 HK$'000
Within one year	**6,933**	–
In the second to fifth years, inclusive	**6,600**	–
	13,533	–

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

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32. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following events took place:

(a) On 3 January 2002, Funcapital exercised all of the 45% Exchangeable Notes and 55% Exchangeable Notes for 100% of the issued capital of Cyber Pilot, which thereafter became a wholly-owned subsidiary of the Company. For further details of the Exchangeable Notes, please refer to note 19 to the financial statements. Details of the preliminary financial information of the Cyber Pilot group and hence the preliminary goodwill arising therefrom are laid down in a circular to the shareholders of the Company dated 29 June 2001.

(b) Asia Logistics Management Services Limited ("ALM"), a company incorporated in Hong Kong and a wholly-owned subsidiary of the Company, entered into a loan agreement with Xinganxian on 8 January 2002, pursuant to which ALM arranged a banking facility of up to HK$7,490,000 granted by a bank operating in the PRC to Xinganxian by way of a standby letter of credit facility. ALM deposited a sum of up to HK$7,490,000 with a bank determined by ALM from time to time as security for the loan facility. In consideration for ALM arranging the loan facility, Xinganxian created a first fixed charge in favour of ALM over its equipment, plant and machinery, inventories, furniture and fittings, accounts receivable.

(c) On 8 February 2002, the Company granted share options to certain directors and eligible employees of the Company to subscribe for a total of 50,300,000 shares, of which 1,400,000 were lapsed subsequently, of HK$0.01 each in the capital of the Company at a subscription price of HK$0.15 per share. The share options granted entitle the holders to subscribe for shares of the Company at any time during the period from 9 February 2002 to 8 February 2008.

(d) On 20 February 2002, NWCB proposed to raise approximately HK$97 million before expenses by way of a rights issue of not less than 1,941,653,720 and not more than 2,026,003,720 rights shares at a price of HK$0.05 per rights share on the basis of one rights share for every two existing shares held on 20 March 2002. At the balance sheet date, the Company beneficially owned 704,086,000 shares of NWCB and, pursuant to the rights issue, the Company has accepted 352,043,000 rights shares allotted to the Company.

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32. POST BALANCE SHEET EVENTS (continued)

(d) (continued)

Pursuant to an underwriting agreement dated 20 February 2002 (the "Underwriting Agreement"), each of the Company and another underwriter (the "Underwriter") agreed to fully underwrite the rights shares other than those taken up by the Company under the rights issue (the "Underwritten Shares"), the aggregate of which amounts to not less than 1,589,610,720 rights shares and not more than 1,673,960,720 rights shares, and that immediately upon the completion of the rights issue, the Company will be interested in an aggregate of not more than 29% of the enlarged issued share capital of NWCB. Pursuant to the Underwriting Agreement, the underwriting commission was 2% of the subscription price of HK$0.05 per Underwritten Share.

The above rights issue was completed on 12 April 2002 and following the completion of the rights issue and the Underwriting Agreement, the Company became interested in approximately 27.5% of the enlarged issued share capital of NWCB.

(e) On 21 January 2002, Vision agreed to subscribe for convertible notes of HK$9,260,000 issued by HAN BVI. These notes are convertible, at the option of Vision, into 141 new ordinary shares of US$1 each in the share capital of HAN BVI. These notes bear interest at a rate of 5% per annum payable to Vision in arrears on the date of conversion or redemption of the notes and are freely transferable subject to compliance with all applicable laws and regulations. On 17 April 2002, these notes were exercised and converted into 141 new ordinary shares of HAN BVI.

(f) On 21 March 2002, the Company and Legend Group Limited ("Legend", a company incorporated in Hong Kong and whose shares are listed on the Stock Exchange) entered into a conditional subscription agreement (the "HAN Subscription Agreement") pursuant to which Legend agreed to subscribe (or procure its nominee to subscribe) for 2,550 new ordinary shares in HAN BVI (the "HAN Subscription") at a cash consideration of HK$55 million, which will represent 51% of the entire issued share capital of HAN BVI immediately after the completion of the HAN Subscription.

32. POST BALANCE SHEET EVENTS (continued)

(f) (continued)

The completion of the HAN Subscription Agreement is conditional upon the fulfilment of, amongst other things, the following conditions on or before 2 July 2002 (or such later date as may be agreed in writing by the parties to the HAN Subscription Agreement):

- the approval of the independent shareholders of the Company at an extraordinary general meeting to be held on 29 April 2002;
- Legend (in its absolute discretion) having satisfactorily completed due diligence on the HAN BVI group and all matters or issues raised by Legend having been resolved to Legend's satisfaction; and
- the agreement of the subscription of the Company's shares, further details of which are set out in note 32(g) to the financial statements, having become unconditional in all respects.

Vision holds convertible notes issued by HAN BVI for the principal amount of HK$9,260,000 which entitles Vision to convert the notes into 141 new ordinary shares in HAN BVI, further details of which are set out in note 32(e) to the financial statements. Pursuant to the HAN Subscription Agreement, the Company has to exercise in full the rights attaching to such convertible notes before the completion of the HAN Subscription Agreement. In addition, HAN BVI will allot and issue an aggregate of 1,168 additional new ordinary shares in HAN BVI at par to its existing shareholders, before the completion of the HAN Subscription Agreement. Consequently, the Group will become interested in 30% of issued capital of HAN BVI upon the completion of the HAN Subscription Agreement.

The consideration for the HAN Subscription will be satisfied as to HK$35 million by cash payable upon the completion of the HAN Subscription and as to HK$20 million by the issuance and delivery by Legend to HAN BVI of an interest-free promissory note. The amount owing under the promissory note is payable within five business days of the second anniversary of the date of completion of the HAN Subscription after setting-off any claims by Legend under the indemnity contained in the HAN Subscription Agreement.

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32. POST BALANCE SHEET EVENTS (continued)

(f) (continued)

Further details of the transaction are set out in a circular to the shareholders of the Company dated 10 April 2002.

(g) On 21 March 2002, the Company entered into a conditional subscription agreement, pursuant to which Grade Win International Limited ("Grade Win", a company incorporated in Hong Kong and a wholly-owned subsidiary of Legend) agreed to subscribe for 159,121,700 new ordinary shares of HK$0.01 each in the capital of the Company at a cash price of HK$0.15 per share (subject to adjustment), which represents approximately 5% of the Company's existing issued share capital and approximately 4.8% of the Company's issued share capital as enlarged by the issue of such new shares of the Company.

The above subscription will be allotted and issued, subject to inter alia, the approval of the shareholders of the Company at an extraordinary general meeting to be held on 29 April 2002 and the HAN Subscription having become unconditional in all respects.

Further details of the transaction are set out in a circular to the shareholders of the Company dated 10 April 2002.

33. CONNECTED AND RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

	Notes	**2001** **HK$'000**	2000 HK$'000
Rental of office equipment and motor vehicle from a related company controlled by a director of the Company	(a)	**377**	–
Rental expense paid to a related company in which certain directors of the Company have interests	(b)	**–**	45
Interest expense paid to a director of the Company	(c)	**–**	97

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33. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(a) The rental of office equipment and motor vehicle from a related company were made on term mutually agreed between the parties.

(b) A tenancy agreement was entered into between a subsidiary of the Company and Huayi (Hong Kong) Finance Co. Limited on 2 August 1998 for the lease of an office unit in Hong Kong with a gross floor area of approximately 658 square feet at a monthly rental of HK$7,500 (exclusive of management fees and rates) for a term of two years commencing from 15 June 1998. Mr. Hui Mang Mang and Mr. Tsai Hung Ching, both former directors of the Company, respectively own 40% and 30% interests in Huayi (Hong Kong) Finance Co. Limited. The said property was used as the principal place of business of the Company until June 2000.

(c) The interest expense was paid to Mr. Hui Mang Mang, a former director of the Company, for the loan granted to the Group in the prior year. The loan bore interest at the lower of 8% per annum or the prevailing best lending rate. The loan from Mr. Hui Mang Mang was settled in full in the prior year.

The Group entered into the following connected transactions during the year:

	Notes	**2001** HK$'000	2000 HK$'000
Loan granted to a non wholly-owned subsidiary	(i)	**9,630**	–
Sale of assets and a business to a subsidiary	(ii)	**9,634**	–

(i) On 30 November 2001, the Company entered into a loan agreement with HAN BVI pursuant to which, the Company granted to HAN BVI a loan of RMB10 million. The loan from the Company is interest-bearing at 1% over the Hong Kong prime lending rate per annum, repayable on or before 31 May 2002 and is secured by way of a first fixed charge over all of the assets of HAN BVI, including without limitation, investments, shares, equipment, plant and machinery, inventories, furniture and fittings, accounts receivable in the name of or beneficially owned by HAN BVI.

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33. CONNECTED AND RELATED PARTY TRANSACTIONS (continued)

(ii) Pursuant to an agreement for the sale and purchase of assets and a business entered into between the Company and HAN BVI dated 12 December 2001, the Company agreed to sell to HAN BVI certain assets and certain business contracts in relation to the Group's provision of consultancy, implementation and maintenance services, at a consideration of RMB10 million. Such consideration was satisfied by the issue and allotment of 141 new ordinary shares of HAN BVI.

The Group entered into the following connected transactions after the balance sheet date:

(1) On 8 January 2002, ALM entered into a loan agreement with Xinganxian, pursuant to which ALM arranged a banking facility of up to HK$7,490,000 granted by a bank operating in the PRC to Xinganxian by way of a standby letter of credit facility. ALM deposited a sum of up to HK$7,490,000 with a bank determined by ALM from time to time as security for the loan facility. For further details of the transaction, please refer to note 32(b) to the financial statements.

(2) On 21 January 2002, Vision agreed to subscribe for convertible notes of HK$9,260,000 issued by HAN BVI. These notes are convertible, at the option of Vision, into 141 new ordinary shares of US$1 each in the share capital of HAN BVI. On 17 April 2002, these notes were exercised and converted into 141 new ordinary shares of HAN BVI. For further details of the transaction, please refer to notes 32(e) and 32(f) to the financial statements.

(3) On 21 March 2002, the Company and Legend entered into the HAN Subscription Agreement pursuant to which Legend agreed to subscribe for 2,550 new ordinary shares in HAN BVI at a cash consideration of HK$55 million, which will represent 51% of the entire issued share capital of HAN BVI immediately after the completion of the HAN Subscription. Following the completion of the HAN Subscription Agreement, the Group will beneficially own a 30% equity interest in HAN BVI. The HAN Subscription will result in a deemed disposal of HAN BVI by the Company and, since Dr. Zhang is a director and a substantial shareholder of HAN BVI, the HAN Subscription constitutes a connected transaction of the Company.

The completion of the HAN Subscription is subject to inter alia, the approval of the independent shareholders of the Company at an extraordinary general meeting to be held on 29 April 2002. For further details of the transaction, please refer to note 32(f) to the financial statements.

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34. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

35. APPROVAL OF THE FINANCIAL STATEMENTS

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