

31 December 2001

14. LONG TERM INVESTMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Unlisted equity investments, at cost	70,031	—

In the opinion of the Directors, the underlying values of the long term investments were not less than their carrying values at the balance sheet date.

15. INTERESTS IN ASSOCIATES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	3,271	(3,236)
Net book value of goodwill - see below	144,325	183,500
	147,596	180,264
Loan to an associate	15,000	—
Interest receivable on loan to an associate	997	—
	163,593	180,264

The loan to an associate is unsecured, interest bearing and it is repayable in January 2004.

Movements in goodwill:

Cost	HK\$'000
1 January 2001	220,000
Additions	5,862
31 December 2001	225,862
Accumulated amortisation	
1 January 2001	36,500
Amortisation and impairment	45,037
31 December 2001	81,537
Net book value	
31 December 2001	144,325
31 December 2000	183,500

31 December 2001

15. INTERESTS IN ASSOCIATES (continued)

Particulars of the Group's principal associates are as follows:

Name of associate	Class of shares held	Place of incorporation/ operation	Equity interest owned by the Group		Principal activities
			2001	2000	
Bizipoint.com Limited	Ordinary	British Virgin Islands ("BVI")/ Hong Kong	50%	50%	E-business consulting services
Bizipoint Company Limited	Ordinary	Hong Kong/ Hong Kong	50%	50%	E-business consulting services
Beijing Zhong Shang Hui Xin Network Technology Development Company Limited	Registered Capital	The People's Republic of China ("PRC")/ PRC	45%	45%	E-business consulting services
Omnitech Holdings Limited	Ordinary	Bermuda/ Australia	20.92%	—	Provision of advanced smartcard solutions, system and enabling technology/electronic components
Princeton Venture Partners Limited	Ordinary	BVI/ Hong Kong	50%	—	Investment holding and consultancy

The above table lists the principal associates of the Group which, in the opinion of the directors, principally affected the results of the year, or formed a substantial portion of the net assets of the Group.

The shares of Omnitech Holdings Limited ("OHL") are listed on the Australian Stock Exchange. Subsequent to the balance sheet date, OHL became a subsidiary of the Group. For further details, please refer to note 27 to the financial statements.

31 December 2001

15. INTERESTS IN ASSOCIATES (continued)

An impairment loss of HK\$30,000,000 was made at the balance sheet date against the cost of the goodwill relating to Bizipoint.com Limited to reflect the diminution in the fair values of the associate's assets at 31 December 2001 by reference to appraisals made by LCH (Asia-Pacific) Surveyors Limited, chartered surveyors.

Information relating to Bizipoint.com Limited and its subsidiaries as required by SSAP 10 (revised), "Accounting for investments in associates" is as follows:

	2001	2000
	HK\$'000	HK\$'000
Turnover	8,940	4,404
Loss for the year/period	(1,888)	(6,472)
Long-term assets	686	1,074
Current assets	7,765	13,381
Current liabilities	(654)	(635)
Deferred Income	(13,333)	(17,333)
	<u><u> </u></u>	<u><u> </u></u>

16. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	221,374	221,374
Due from subsidiaries	1,058,658	1,976,391
Due to subsidiaries	(243,376)	(243,803)
	<u><u> </u></u>	<u><u> </u></u>
Provision for impairment	(781,759)	(1,101,139)
	<u><u> </u></u>	<u><u> </u></u>
	254,897	852,823
	<u><u> </u></u>	<u><u> </u></u>

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

31 December 2001

16. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries are as follows:

Name of subsidiary	Place of incorporation/ registration	Total issued ordinary/ registered and paid-up capital	Equity interest owned by the Group		Principal activities
			2001	2000	
<i>Directly held:</i>					
Tomei Investment (Holdings) Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Quality Demand Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Asia eMarket Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
O2New Technology Limited	British Virgin Islands	US\$1	100%	100%	Investment holding
Innovalue Profits Limited	British Virgin Islands	US\$1	100%	—	Investment holding
E-opportunity Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Clever Able Investments Limited	British Virgin Islands	US\$1	100%	—	Investment holding
<i>Indirectly held:</i>					
Towering Finance Limited	British Virgin Islands	US\$1	100%	—	Investment holding
Prosperous Finance Limited	Hong Kong	HK\$3,000,000	100%	100%	Money lending
Prosperous Returns Limited	Hong Kong	HK\$2	100%	100%	Corporate services
Dexken Limited	Hong Kong	HK\$2	100%	100%	Property holding
Rabco Investments Limited	Hong Kong	HK\$20	100%	100%	Property holding
Union Sino Limited	Hong Kong	HK\$2	100%	100%	Property holding
Villa Fontes Limited	Hong Kong	HK\$20	100%	100%	Property holding

31 December 2001

16. INTERESTS IN SUBSIDIARIES (continued)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results of 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.

All principal subsidiaries operate in their respective places of incorporation/registration, except for Dexken Limited, which operates principally in Macau.

In the opinion of the Directors, the underlying values of interests in subsidiaries were not less than their carrying values at the balance sheet date.

17. INVENTORIES

	Group	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	—	17,141
Work in progress	—	900
Finished goods	—	2,636
	<hr/>	<hr/>
	—	20,677
	<hr/> <hr/>	<hr/> <hr/>

The amount of inventories stated at net realisable value is HK\$Nil (2000: HK\$15,753,000).

18. TRADE AND OTHER RECEIVABLES

- (a) The Group was involved in the rescue of the Akai Group, which started in late 1999. On 23 August 2000, an order was issued by the High Court of the Hong Kong Special Administrative Region for compulsory winding up of Akai Holdings Limited and its associate, Kong Wah Holdings Limited. No further advance has been made by the Group for the Akai rescue since then.

The gross amounts of receivable, including principal and accrued interest, are secured by various assets including shares, trademarks and certain tangible assets.

The Akai rescue was funded by internal resources and financing from The Grande Group, the former parent of the Company, through a subsidiary of the Company, Prosperous Finance Limited ("PFL"). (please also refer note 20 to the financial statements).

As at 31 December 2000, the net recoverable balance amounted to HK\$600 million, which was arrived at after provisions of HK\$308 million made during 2000. Since then, there has been no movement in the advances. As at 31 December 2001, the net recoverable amount after provision remained at HK\$600 million.

18. TRADE AND OTHER RECEIVABLES (continued)

- (b) The aging analysis of trade and other receivables (net of provision for doubtful debts) is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current	110	25,636
One to three months	63	653
More than three months	600,256	602,894
	600,429	629,183
	600,429	629,183

The Group allows an average credit period of 30 to 45 days to its trade customers.

19. CASH AND CASH EQUIVALENTS

Cash and cash equivalents represent cash and bank balances with no restriction as to use.

20. TRADE AND OTHER PAYABLES

- (a) Included in the balance is an amount due to the Grande Group of HK\$618 million which is unsecured, bears interest at prime rate plus 2% per annum, and there are no fixed repayment terms.

As more fully explained in note 18(a) to the financial statements and the Group's previous Interim and Annual Reports, the Group was involved in the rescue of the Akai Group funded by internal resources and financing from The Grande Group, the former parent of the Company, through a subsidiary of the Company, Prosperous Finance Limited ("PFL"). As a result, PFL ended up in owing the Company substantial sum of money and the Company in turn owes the Grande Group.

In order to settle the matter, the Company made an arrangement with the Grande Group on 9 October 2001 whereby PFL issued a promissory note for HK\$600 million to settle the inter-company balances due to the Company and the Company in turn endorsed the promissory note to the Grande Group which accepted it without recourse to the Company as a settlement for HK\$600 million of the loan due to the Grande Group. The Grande Group thereby became a direct creditor of PFL.

On 21 January 2002, the Company issued 280,000,000 new shares to settle the balance of outstanding amount of approximately HK\$18 million due to the Grande Group. The amounts due to the Grande Group were then completely settled at the Company level.

31 December 2001

20. TRADE AND OTHER PAYABLES (continued)

(b) The aging analysis of trade and other payables is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Current	623,869	547,622
One to three months	8,010	10,479
More than three months	202	14,247
	<u>632,081</u>	<u>572,348</u>

21. DEFERRED TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
1 January	2,069	9,230
Release to profit and loss account - note 9	—	(2,209)
Disposal of subsidiaries	(767)	(4,952)
	<u>1,302</u>	<u>2,069</u>

The principal components of the Group's deferred tax liabilities provided for/(deferred tax assets recognised), and the amounts not provided/(not recognised) are as follows:

	Group			
	Provided		Not provided	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Accelerated capital allowances	1,302	2,069	(19)	(73)
Tax losses	—	—	(32,148)	(29,841)
	<u>1,302</u>	<u>2,069</u>	<u>(32,167)</u>	<u>(29,914)</u>

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

31 December 2001

22. SHARE CAPITAL

Ordinary shares

	Number of ordinary shares of HK\$0.01 each	Amount HK\$'000
Authorized:		
1 January 2001 and 31 December 2001	5,000,000,000	50,000
Issued and fully paid:		
1 January 2001	3,543,676,822	35,437
Issue of new shares	250,000,000	2,500
31 December 2001	3,793,676,822	37,937

To provide additional working capital and financial resources for business expansions and acquisitions, the Company has issued new shares for cash or otherwise on several occasions during the year and in early 2002:

- a) On 28 February 2001, the Company raised HK\$20 million by issuing 250,000,000 new shares at HK\$0.08 per share.
- b) Subsequent to the year end, on 14 January 2002, the Company issued 200,000,000 new shares credited as fully paid at HK\$0.06 per share for the acquisition of 50,000,000 shares in Omnitech Holdings Limited ("OHL") from a number of shareholders of OHL.
- c) On 21 January 2002, the Company issued 280,000,000 new shares to settle the balance of outstanding amount of approximately HK\$18 million due to the Grande Group.
- d) On 6 February 2002, the Company raised HK\$13.5 million by issuing 270,000,000 new shares at HK\$0.05 per share.
- e) On 4 April 2002, the Company raised HK\$14.95 million by issuing 230,000,000 new shares at HK\$0.065 per share.

At the Special General Meeting held on 22 March 2002, the authorized share capital of the Company was increased from HK\$50,000,000 to HK\$150,000,000 by the creation of an additional 10,000,000,000 ordinary shares of HK\$0.01 each in the capital of the Company.

At the same meeting, a new share option scheme in compliance with the new listing requirements was approved for adoption by the Company. Please refer to the Report of the Directors for details.

At the balance sheet date, there were no share options granted and outstanding under the share option scheme adopted by the Company on 23 May 1997.

31 December 2001

23. RESERVES**Group**

	Share premium account HK\$'000	Contributed surplus HK\$'000	Other fixed assets revaluation reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
1 January 2000	652,805	241,195	12,738	5,854	(367,740)	544,852
Issue of new shares	75,050	—	—	—	—	75,050
Transfer on disposal of subsidiaries	—	212,873	—	—	(212,873)	-
Release on disposal of subsidiaries	—	6,006	(66)	6,108	—	12,048
Exchange translation differences on consolidation	—	—	—	202	—	202
Surplus arising on revaluation of land and buildings	—	—	2,034	—	—	2,034
Impairment on properties, plant and equipment	—	—	(1,461)	—	—	(1,461)
Transfer upon disposal of a revalued property	—	—	(11,211)	—	11,211	—
Loss for the year	—	—	—	—	(324,943)	(324,943)
31 December 2000 and 1 January 2001	727,855	460,074	2,034	12,164	(894,345)	307,782
Issue of new shares	17,177	—	—	—	—	17,177
Release on disposal of subsidiaries	—	—	—	9	—	9
Impairment on properties, plant and equipment	—	—	(2,034)	—	—	(2,034)
Loss for the year	—	—	—	—	(133,287)	(133,287)
31 December 2001	745,032	460,074	—	12,173	(1,027,632)	189,647

Included in the Group's accumulated losses at 31 December 2001 were accumulated losses of HK\$4,983,000 relating to by associates (2000: HK\$3,236,000).

31 December 2001

23. RESERVES (continued)

Company

	Share premium account HK\$'000	Contributed surplus HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
1 January 2000	652,805	502,176	(460,362)	694,619
Issue of new shares	75,050	—	—	75,050
Loss for the year	—	—	(458,651)	(458,651)
<hr/>				
31 December 2000 and				
1 January 2001	727,855	502,176	(919,013)	311,018
Issue of new shares	17,177	—	—	17,177
Loss for the year	—	—	(131,540)	(131,540)
<hr/>				
31 December 2001	745,032	502,176	(1,050,553)	196,655

The Company's contributed surplus, which arose from the Group reorganisation on 2 July 1991, represents the difference between the nominal value of the Company's shares issued under the reorganisation scheme, in exchange for the shares in the subsidiaries and the fair value of the consolidated net asset value of the acquired subsidiaries, reduced by distributions to shareholders.

Under the Companies Act of Bermuda and the Bye-Laws of the Company, the contributed surplus is distributable to shareholders. The Companies Act of Bermuda also stipulates that a company shall not declare or pay a dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued capital and share premium account.

Pursuant to a special resolution approved by the Company's shareholders at the Special General Meeting held on 22 March 2002, the Company effected a capital reorganization whereby the entire amount of the share premium account of the Company at 22 March 2002 amounted to HK\$781,232,000 and an amount of HK\$430,000,000 standing to the credit of the contributed surplus account of the Company were applied to set off the accumulated losses of the Company.

Note: A pro forma statement of shareholders' equity was prepared and appended to the Annual Report to give the shareholders a better understanding of the combined effects of the capital reorganization and share issues subsequent to the balance sheet date on the Company's share capital and reserves.

31 December 2001

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of loss before tax to net cash inflow/(outflow) from operating activities**

	Group	
	2001	2000
	HK\$'000	HK\$'000
Loss before tax	(132,545)	(325,197)
Interest income	(2,124)	(11,167)
Interest expenses	65,204	50,604
Depreciation	4,074	24,660
Provision for doubtful debts	—	367,285
Amortisation and impairment on goodwill of associates	45,037	36,572
Profit on disposal of subsidiaries	(2,362)	(111,982)
Loss on disposal of interest in an associate	—	3
Loss on disposal of investment properties	488	599
Loss on disposal of properties, plant and equipment, net	—	5,202
Deficit on revaluation of investment properties	1,230	690
Impairment of properties, plant and equipment	1,732	16,978
Share of results of associates	1,747	3,236
Decrease/(increase) in inventories	17,976	(211,412)
Decrease/(increase) in trade and other receivables	12,145	(469,758)
Decrease in amounts due from fellow subsidiaries	—	6,769
Decrease/(increase) in prepayments and deposits paid	17,703	(19,679)
Decrease in short term investments	—	18,940
Increase in trade and other payables	89,308	733,903
Decrease in amounts due to fellow subsidiaries	—	(276,723)
Increase in trust receipt loans	—	82,611
Increase in deposits received	1,245	3,002
	<hr/>	<hr/>
Net cash inflow/(outflow) from operating activities	120,858	(74,864)
	<hr/> <hr/>	<hr/> <hr/>

31 December 2001

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

(b) Analysis of changes in financing during the year

	Share capital (including share premium) HK\$'000	Interest- bearing bank borrowings HK\$'000	Minority interests HK\$'000
1 January 2000	684,292	25,157	10,530
Net cash outflow from financing	—	(25,076)	—
Issue of shares	79,000	—	—
Share of losses for the year	—	—	(378)
Disposal of subsidiaries	—	(81)	(9,843)
	<hr/>	<hr/>	<hr/>
31 December 2000 and 1 January 2001	763,292	—	309
Issue of shares	19,677	—	—
Share of profits for the year	—	—	24
Disposal of subsidiaries	—	—	(24)
	<hr/>	<hr/>	<hr/>
31 December 2001	<u>782,969</u>	<u>—</u>	<u>309</u>

31 December 2001

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**(c) Disposal of subsidiaries**

	Group	
	2001	2000
	HK\$'000	HK\$'000
Net assets disposed of:		
Properties, plant and equipment	10,395	251,233
Intangible assets	—	4
Inventories	2,701	515,771
Trade and other receivables	16,609	381,359
Prepayments and deposits paid	139	12,304
Cash and cash equivalents	641	10,334
Trade and other payables	(29,575)	(895,798)
Trust receipt loans	—	(182,020)
Deposits received	(1,971)	(3,941)
Tax provision	(519)	(2,502)
Interest bearing bank borrowings	—	(81)
Bank overdrafts	—	(14,469)
Deferred tax	(767)	(4,952)
Minority interests	(24)	(9,843)
	(2,371)	57,399
Goodwill on consolidation released	—	6,006
	(2,371)	63,405
Represented by:		
Cash received	—	181,429
Profit on disposal	(2,362)	(111,982)
Revaluation reserves released	—	66
Exchange fluctuation reserves released	(9)	(6,108)
	(2,371)	63,405

24. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)
(c) Disposal of subsidiaries (continued)

The subsidiaries disposed of during the year contributed HK\$4,540,000 to the Group's net cash inflow from operating activities, paid HK\$87,000 in respect of net returns on investments and servicing of finance, paid HK\$131,000 in respect of taxation, and utilised HK\$5,199,000 for investing activities.

Analysis of net (outflow)/inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2001 HK\$'000	2000 HK\$'000
Cash received	—	181,429
Cash and cash equivalents of disposed subsidiaries	(641)	(10,334)
Bank overdrafts of disposed subsidiaries	—	14,469
	<hr/>	<hr/>
Net (outflow)/inflow of cash and cash equivalents in respect of the disposal of subsidiaries	(641)	185,564
	<hr/> <hr/>	<hr/> <hr/>

(d) Major non-cash transactions

In 2000, the Company entered into an agreement to acquire a 100% interest in Asia eMarket Limited at a total consideration of HK\$220 million, which comprised the issue of 395 million new shares in the Company at an issue price of HK\$0.20 per share and the payment of HK\$141 million in cash by instalments.

25. CONTINGENT LIABILITIES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bills discounted with recourse	—	4,168	—	—
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

31 December 2001

26. COMMITMENTS

	Group	
	2001	2000
	HK\$'000	HK\$'000
Capital commitments		
- contracted for	—	156
- authorised but not contracted for	—	—
	<u>—</u>	<u>—</u>
	<u>—</u>	<u>156</u>
Total minimum commitments under non-cancellable operating leases for land and buildings due:		
Within one year	303	1,859
In the second to fifth years, inclusive	—	2,022
After five years	—	362
	<u>—</u>	<u>—</u>
	303	<u>4,243</u>

The Company has no capital or operating lease commitments.

27. SUBSEQUENT EVENTS

Subsequent to the balance sheet date, on 14 January 2002, the Company issued 200,000,000 new shares credited as fully paid at HK\$0.06 per share for the acquisition of 50,000,000 ordinary shares in Omnitech Holdings Limited (“OHL”) from a number of shareholders of OHL. Furthermore on 20 March 2002, the Company exercised 5,000,000 options to subscribe for 5,000,000 shares at an exercise price of A\$0.022 each. The Company currently owns 90,534,795 shares or 50.25% of OHL. In addition, the Company still owns 27,394,845 options which can be converted into an equivalent number of ordinary shares at any time up to 31 October 2003 at an exercise price of A\$0.022 per share.

Pursuant to a Special General Meeting held on 22 March 2002 (“SGM”), the name of the Company was changed from “O2New Technology Limited” to “Omnitech Group Limited”, and approval from the Registrar of Companies of Bermuda was formally given on 8 April 2002.

In order to reduce transaction and registration cost for shareholders, the board lot size of the Company’s shares was changed from 2,000 shares to 10,000 shares at the SGM.

27. SUBSEQUENT EVENTS *(continued)*

On 19 April 2002, the Company entered into a conditional agreement for the disposal of Towering Finance Limited ("TFL") and its subsidiary PFL at a nominal price determined with reference to the consolidated net tangible asset value of TFL and PFL. Completion of the agreement is conditional upon, among other things, the verification of the liabilities of TFL and PFL.

28. APPROVAL OF THE FINANCIAL STATEMENTS

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