

## 1 PRINCIPAL ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention, as modified by the revaluation of certain properties, and in accordance with accounting principles generally accepted in Hong Kong.

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiary companies made up to 31st December and the Group's attributable share of post-acquisition results and reserves of the jointly controlled entities and associated companies.

The results of subsidiary companies, jointly controlled entities and associated companies acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The profits or losses on the disposal of subsidiary companies, jointly controlled entities and associated companies are calculated as the difference between the net disposal proceeds and the Group's share of net assets at the date of disposal including the attributable amount of goodwill which remains unamortised or previously taken directly to reserves.

### (b) Goodwill

Goodwill represents the difference between the costs of acquisition over the fair values ascribed to the Group's share of the net assets of the acquired subsidiary companies, jointly controlled entities or associated companies at the effective date of acquisition. Goodwill on acquisitions is included in the balance sheet as a separate asset and amortised using the straight-line method over its estimated useful life of not more than twenty years. Where the fair values ascribed to the net assets exceed the purchase consideration, such differences are recognised in the profit and loss account as income in the year of acquisition or over the weighted average useful life of the acquired non-monetary assets.

The carrying amount of goodwill is reviewed annually and provision is only made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

### (c) Subsidiary companies

A company is a subsidiary company if more than 50% of the issued equity capital is held, directly and indirectly, for the long-term or if the composition of the board of directors is controlled by the Group. Investments in subsidiary companies are carried in the Company's balance sheet at or below cost. Provision is made when, in the opinion of the Directors, there is impairment in value other than temporary in nature.

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (d) Jointly controlled entities

A jointly controlled entity is a joint venture in respect of which a contractual arrangement is established between the participating venturers and whereby the Group together with the venturers undertake an economic activity which is subject to joint control and none of the venturers has unilateral control over the economic activity. Jointly controlled entities are accounted for under the equity method whereby the Group's share of results is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

### (e) Associated companies

An associated company is a company, not being a subsidiary company or a joint venture, in which an equity interest is held for the long-term and significant influence is exercised in its management. Associated companies are accounted for under the equity method whereby the Group's share of results is included in the consolidated profit and loss account and the Group's share of net assets is included in the consolidated balance sheet.

### (f) Fixed assets and depreciation

Fixed assets are stated at cost or valuation less accumulated depreciation and provision for significant permanent impairment in values.

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and are held for their investment potential, any rental income being negotiated at arm's length. Investment properties held on leases of more than twenty years are carried at open market value based on annual valuations by independent valuers at the balance sheet date. Deficits in valuation are charged to the profit and loss account; increases are first credited to the profit and loss account to the extent of valuation deficits previously charged on a portfolio basis and thereafter credited to the investment property valuation reserve. Upon the disposal of an investment property, any relevant revaluation surplus is transferred to the profit and loss account.

No depreciation is provided in respect of investment properties held on leases of more than twenty years. Depreciation of other fixed assets is calculated to write off the cost of the assets over their estimated useful lives, using straight-line method, at the rate of 20% per annum.

Major costs incurred in restoring fixed assets to their normal working conditions are charged to the profit and loss account. Improvements are capitalised and depreciated over their expected useful lives to the Group. The carrying amounts of fixed assets are reviewed regularly. Where the estimated recoverable amounts have declined permanently below their carrying amounts, the carrying amounts are written down to their estimated recoverable amounts. Expected future cash flows have been discounted in determining the recoverable amounts.

Profits and losses on disposal of fixed assets, other than investment properties, are determined as the difference between the net disposal proceeds and the carrying amounts of the assets and are dealt with in the profit and loss account.

**1 PRINCIPAL ACCOUNTING POLICIES (Continued)****(g) Investments**

Unlisted investments expected to be held for the long-term are stated at cost less provision for impairment in value other than temporary in nature. Trading investments, which are acquired principally for the purpose of generating a profit from short-term fluctuation in price, are carried at fair values. The net unrealised gains or losses arising from the changes in fair values are recognised in the profit and loss account. Profit or losses on disposal of investments, representing the differences between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

**(h) Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Cost, comprising land cost, development expenditure, professional fees, interest capitalised and other direct expenses, is calculated on the weighted average basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**(i) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

**(j) Borrowing costs**

Interest and related costs on borrowing directly incurred to finance the acquisition, construction and development of an asset that is required to take a substantial period of time to get ready and prepare for its intended use are capitalised as part of the cost of the asset. All other borrowing costs are charged to the profit and loss account as they are incurred.

**(k) Provisions**

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where a provision is expected to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Restructuring provisions mainly comprise lease termination penalties and employee termination payments, and are recognised in the period in which the Group becomes legally or constructively committed to payment. Employee termination benefits are recognised only after either an agreement is in place with the appropriate employee representatives specifying the terms of redundancy and the number of employees affected, or after individual employees have been advised of the specific terms. Costs related to the ongoing activities of the Group are not provided in advance. Any fixed assets that are no longer required for their original use are transferred to current assets and carried at the lower of the carrying amount or estimated net realisable value.

## 1 PRINCIPAL ACCOUNTING POLICIES (Continued)

### (l) Operating lease

Leases where a significant portion of the risks and rewards of ownership are retained by the lessors are classified as operating leases. Rentals payable, net of incentives received from the lessors, under operating leases are charged to the profit and loss account on a straight-line basis over the lease periods.

### (m) Deferred taxation

Deferred taxation is accounted for at the current taxation rates in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset expected to be payable or recoverable in the foreseeable future.

### (n) Revenue recognition

Sales of goods are recognised when goods are delivered and legal title passed to customers. Sale of completed properties is recognised when the sale agreement is completed and legal title passed to the purchasers. Rental income, net of incentives paid to lessees, under operating leases is recognised over the periods of the respective leases on a straight-line basis. Property management income is recognised on a time proportion basis or when the services are rendered. Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable. Dividend income is recognised when the right to receive payment is certain.

### (o) Employee benefits

Contributions under the defined contribution retirement scheme, which are calculated as a percentage of basic salaries of the employees, are charged to the profit and loss account in the year to which the contributions relate.

Employee entitlements to annual leave and long service leave are recognised when they accrued to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date. Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

Provision for bonus plans due wholly within twelve months after balance sheet date are recognised when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

### (p) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, amounts repayable on demand from banks and financial institutions within three months from the date of placement, less advances from banks and financial institutions repayable within three months from the date of advance.

**1 PRINCIPAL ACCOUNTING POLICIES (Continued)****(q) Foreign currencies**

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rate of exchange ruling at that date. Exchange differences arising are dealt with in the profit and loss account.

Profit and loss accounts of subsidiary companies, jointly controlled entities and associated companies expressed in foreign currencies are translated at the weighted average exchange rates for the year and balance sheets are translated at the exchange rates ruling at the balance sheet date. Exchange differences arising from the translation of net investments in foreign subsidiary companies, jointly controlled entities and associated companies are taken directly to reserves.

**2 TURNOVER**

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Sales of electronic components	<b>39,346</b>	13,389
Sales of properties	<b>13,853</b>	8,100
Property rental	<b>1,404</b>	965
Project management and services	<b>860</b>	371
	<u><b>55,463</b></u>	<u>22,825</u>

**3 SEGMENT INFORMATION**

The Group is principally engaged in property investment and technology-related business. In accordance with the Group's internal financial reporting and operating activities, the primary segment reporting is by business segments and the secondary segment reporting is by geographical segments. Segment assets consist primarily of non-current assets, inventories and receivables. Segment liabilities comprise creditors and accruals. There are no sales or trading transactions between the business segments. In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

### 3 SEGMENT INFORMATION (Continued)

A summary of business segments is set out as follows:

	<b>Property investment</b>	<b>Technology</b>	<b>Corporate and others</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31st December 2002</b>				
Turnover	15,257	40,206	—	55,463
Segment results	(22,814)	(8,862)	(38,906)	(70,582)
Financial expenses				(6,350)
Share of losses of				
A jointly controlled entity	—	—	(488)	(488)
Associated companies	(2,152)	(521)	(3,409)	(6,082)
Loss before taxation				(83,502)
Taxation				97
Loss after taxation				(83,405)
Minority interests	—	1,254	1	1,255
Loss attributable to shareholders				(82,150)
Segment assets	84,828	52,662	—	137,490
A jointly controlled entity	—	—	10,039	10,039
Associated companies	—	36,769	—	36,769
Unallocated assets				105,099
Total assets				289,397
Segment liabilities	1,128	11,923	—	13,051
Unallocated liabilities				205,718
Total liabilities				218,769
Capital expenditure	78,850	207	273	79,330
Depreciation	—	394	718	1,112
Amortisation of goodwill	—	4,344	—	4,344

**3 SEGMENT INFORMATION (Continued)**

	<b>Property investment</b>	<b>Technology</b>	<b>Corporate and others</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Year ended 31st December 2001</b>				
Turnover	9,065	13,755	5	22,825
Segment results	8,468	(6,649)	(42,571)	(40,752)
Financial expenses				(6,463)
Share of losses of				
Jointly controlled entities	(1,201)	—	(1,834)	(3,035)
Associated companies	144	(1,188)	(12,905)	(13,949)
Loss before taxation				(64,199)
Taxation				(829)
Loss after taxation				(65,028)
Minority interests	—	371	98	469
Loss attributable to shareholders				(64,559)
Segment assets	43,608	56,930	—	100,538
Jointly controlled entities	—	—	10,469	10,469
Associated companies	—	57,326	—	57,326
Unallocated assets				125,145
Total assets				293,478
Segment liabilities	695	11,428	—	12,123
Unallocated liabilities				127,385
Total liabilities				139,508
Capital expenditure	—	827	658	1,485
Depreciation	—	336	554	890
Amortisation of goodwill	—	1,448	—	1,448

### 3 SEGMENT INFORMATION (Continued)

A summary of the geographical segments is set out as follows:

	Turnover HK\$'000	Operating loss HK\$'000	Total assets HK\$'000	Capital expenditure HK\$'000
<b>Year ended 31st December 2002</b>				
Hong Kong	54,603	(69,113)	264,420	79,330
Mainland China	860	(1,469)	24,977	—
	<u>55,463</u>	<u>(70,582)</u>	<u>289,397</u>	<u>79,330</u>
<b>Year ended 31st December 2001</b>				
Hong Kong	22,459	(36,077)	269,752	723
Mainland China	366	(4,675)	23,726	762
	<u>22,825</u>	<u>(40,752)</u>	<u>293,478</u>	<u>1,485</u>

### 4 COST OF SALES

Cost of sales in 2001 was arrived at after crediting investment properties revaluation reserve realised of HK\$11,043,000.

### 5 OTHER REVENUES

	2002 HK\$'000	2001 HK\$'000
Write back of claims payable	2,926	—
Interest	39	48
Sundries	2,287	2,198
	<u>5,252</u>	<u>2,246</u>



**6 OPERATING LOSS**

	2002	2001
	HK\$'000	HK\$'000

Operating loss is stated after charging the following:

Depreciation	1,112	890
Staff costs (including Directors' remuneration)	21,954	20,519
Operating lease rental expense for land and buildings	1,218	3,287
Auditors' remuneration	455	554
Amortisation of goodwill	4,344	1,448
Loss on disposal of fixed assets	11,384	156
Bad and doubtful debts	6,170	—
	<u>6,170</u>	<u>—</u>

**7 FINANCIAL EXPENSES**

	2002	2001
	HK\$'000	HK\$'000

Interest on bank loans and overdrafts	3,125	3,366
Interest on short-term loans ( <i>note 22</i> )	3,225	3,097
	<u>3,225</u>	<u>3,097</u>
	<u>6,350</u>	<u>6,463</u>

**8 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES****(a) Directors' emoluments**

Details of the emoluments paid to the Directors of the Company are as follows:

	2002	2001
	HK\$'000	HK\$'000

Fees	980	1,061
Salaries and other emoluments	9,199	7,870
Discretionary bonuses	—	—
Retirement benefits	42	50
	<u>42</u>	<u>50</u>
	<u>10,221</u>	<u>8,981</u>

**8 EMOLUMENTS OF DIRECTORS AND SENIOR EXECUTIVES (Continued)****(a) Directors' emoluments (Continued)**

The emoluments of the Directors of the Company fall within the following bands:

Emolument bands	Number of Directors	
	2002	2001
Nil to HK\$1,000,000	5	7
HK\$1,000,001 to HK\$1,500,000	1	—
HK\$5,000,001 to HK\$5,500,000	—	1
HK\$6,500,001 to HK\$7,000,000	1	—
	<u>7</u>	<u>8</u>

None of the Directors has waived the right to receive their emoluments. Fees paid to Independent Non-executive Directors during the year amounted to HK\$450,000 (2001: HK\$450,000).

**(b) Senior executives' emoluments**

Details of emoluments paid by the Group to the five individuals, including four (2001: four) Directors, whose emoluments were the highest in the Group are as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and other emoluments	10,780	9,021
Discretionary bonuses	—	—
Retirement benefits	54	56
	<u>10,834</u>	<u>9,077</u>

The emoluments of the five individuals of the Group fall within the following bands:

Emoluments bands	Number of individuals	
	2002	2001
Nil to HK\$1,000,000	2	3
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$5,000,001 to HK\$5,500,000	—	1
HK\$6,500,001 to HK\$7,000,000	1	—
	<u>5</u>	<u>5</u>

**9 TAXATION CREDIT/(CHARGE)**

	2002 HK\$'000	2001 HK\$'000
Company and subsidiary companies		
Hong Kong profits tax		
Provision for the year	(42)	(425)
Over/(under) provisions in prior years	112	(24)
Overseas taxation	(43)	(18)
	<u>27</u>	<u>(467)</u>
Jointly controlled entities		
Overseas taxation	—	(58)
Associated companies		
Overseas taxation	70	(304)
	<u>97</u>	<u>(829)</u>

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

In June 2002, the Board of Review of the Inland Revenue Department determined that a subsidiary company is liable to Hong Kong profits tax and surcharges totalling approximately HK\$89.5 million in respect of its profit from the disposal of properties in 1994 and 1995. The Directors however maintain their opinion that such profit is capital in nature and therefore not subject to Hong Kong profits tax. Since the subsidiary company has no meaningful assets and therefore does not have the ability to pay the tax and surcharges nor file further objections against this determination. However, no other company within the Group is liable for any tax or surcharges payable by the subsidiary company and the rest of the Group will not provide funds to the subsidiary company to satisfy the tax and surcharges in question. In view of the foregoing, the Directors consider it is not appropriate to make any provision for the above tax and surcharges payable in the accounts.

**10 LOSS PER SHARE**

The calculation of loss per share is based on the loss attributable to shareholders for the year of HK\$82,150,000 (2001: HK\$64,559,000) and on the weighted average of 490,584,391 shares (2001: 458,493,980 shares) in issue during the year.

Diluted loss per share is not presented as there are no dilutive potential shares for the options granted under the Company's share option schemes.

## 11 FIXED ASSETS

### Group

	Investment properties HK\$'000	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost or valuation				
At 31st December 2001	43,000	5,141	1,667	49,808
Additions	78,850	480	—	79,330
Disposals	(24,000)	(1,133)	(306)	(25,439)
Revaluation	(13,350)	—	—	(13,350)
	<u>84,500</u>	<u>4,488</u>	<u>1,361</u>	<u>90,349</u>
At 31st December 2002	<u>84,500</u>	<u>4,488</u>	<u>1,361</u>	<u>90,349</u>
Accumulated depreciation				
At 31st December 2001	—	2,656	750	3,406
Charge for the year	—	790	322	1,112
Disposals	—	(458)	(46)	(504)
	<u>—</u>	<u>2,988</u>	<u>1,026</u>	<u>4,014</u>
At 31st December 2002	<u>—</u>	<u>2,988</u>	<u>1,026</u>	<u>4,014</u>
Net book value				
At 31st December 2002	<u>84,500</u>	<u>1,500</u>	<u>335</u>	<u>86,335</u>
At 31st December 2001	<u>43,000</u>	<u>2,485</u>	<u>917</u>	<u>46,402</u>

**11 FIXED ASSETS (Continued)**

## Company

	<b>Furniture and fixtures</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000
Cost			
At 31st December 2001	2,662	675	3,337
Additions	273	—	273
Disposals	(196)	—	(196)
	<u>2,739</u>	<u>675</u>	<u>3,414</u>
At 31st December 2002	<u>2,739</u>	<u>675</u>	<u>3,414</u>
Accumulated depreciation			
At 31st December 2001	1,882	216	2,098
Charge for the year	414	124	538
Disposals	(92)	—	(92)
	<u>2,204</u>	<u>340</u>	<u>2,544</u>
At 31st December 2002	<u>2,204</u>	<u>340</u>	<u>2,544</u>
Net book value			
At 31st December 2002	<u>535</u>	<u>335</u>	<u>870</u>
At 31st December 2001	<u>780</u>	<u>459</u>	<u>1,239</u>

Investment properties of HK\$66,500,000 (2001: nil) and HK\$18,000,000 (2001: HK\$43,000,000) are held under long-term leases and medium-term leases in Hong Kong respectively. The properties are stated at professional valuations made by RHL Appraisal Limited, an independent valuer, on 31st December 2002 on an open market value basis. All other fixed assets are carried at cost less accumulated depreciation.

The investment properties have been pledged to secure general banking facilities granted to the Group.

## 12 GOODWILL

	2002 HK\$'000	2001 HK\$'000
Cost	43,438	43,438
Accumulated amortisation	(5,792)	(1,448)
Net book value	<u>37,646</u>	<u>41,990</u>
At beginning of year	41,990	—
Acquisition of a subsidiary company	—	43,438
Amortisation	(4,344)	(1,448)
At end of year	<u>37,646</u>	<u>41,990</u>

## 13 SUBSIDIARY COMPANIES

	COMPANY	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	2,061	2,061
Amounts receivable, less provision	422,808	527,107
Amounts payable	(219,026)	(253,078)
	<u>205,843</u>	<u>276,090</u>

The amounts receivable and payable are unsecured, interest free and have no specific repayment terms.

Particulars of the principal subsidiary companies are as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2002	2001		
Barraza Company Limited	Hong Kong	100	100	HK\$2	Provision of secretarial services
Echo Peak Investment Limited	Hong Kong	100	100	HK\$10,000	Property investment
*Ever Double Investments Limited	British Virgin Islands/ Hong Kong	100	100	US\$1	Investment holding

**13 SUBSIDIARY COMPANIES (Continued)**

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2002	2001		
Ever Global Technology (Beijing) Limited	Mainland China	100	100	US\$150,000	Information system development
*Ever Global Technology Limited	Hong Kong	100	100	HK\$2	Investment holding
Jolica Limited	Hong Kong	100	100	HK\$9,998	Property investment
Keenland Company Limited	Hong Kong	100	100	HK\$100,100	Property investment
*Lead Top Development Limited	Hong Kong	100	100	HK\$2	Investment holding
*Sebasto Investment Company Limited	Hong Kong	60	60	HK\$100	Investment holding
Silver Shore Company Limited	Hong Kong	100	100	HK\$200,000	Property investment
Springdale Investment Company Limited	Hong Kong	100	100	HK\$100,000	Property investment
Strong Way International Limited	Hong Kong	60	60	HK\$1,000,000	Electronic components trading
*Sunberry Investments Limited	British Virgin Islands/ Hong Kong	100	100	US\$1	Investment holding
*Tak Swi Investment Limited	Hong Kong	100	100	HK\$3,900,002	Investment holding
*U-Cyber Construction (Holdings) Limited	Hong Kong	100	100	HK\$20	Investment holding
U-Cyber Investment Holdings (China) Limited	Hong Kong	100	100	HK\$20	Investment holding

## 13 SUBSIDIARY COMPANIES (Continued)

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Issued and paid up capital	Principal activities
		2002	2001		
*U-Cyber Property (Holdings) Limited	Hong Kong	100	100	HK\$10,000	Investment holding
U-Cyber Property Development Company Limited	Hong Kong	100	100	HK\$2	Investment holding
U-Cyber Property Management Company Limited	Hong Kong	100	100	HK\$2	Investment holding
*Universal Cyber Technology Holdings Limited	Hong Kong	100	100	HK\$2	Property investment
Wealthy Reference Company Limited	Hong Kong	60	60	HK\$10,000	Property management
*Well Peace Investment Limited	Hong Kong	100	—	HK\$2	Investment holding
*Winnerhill Enterprises Limited	Hong Kong	100	100	HK\$200,000	Financing

\* Subsidiary companies directly held by the Company.



**14 JOINTLY CONTROLLED ENTITY**

	<b>GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Share of net assets	<b>10,039</b>	10,469

Particulars of the jointly controlled entity are as follows:

<b>Name</b>	<b>Place of incorporation/ operation</b>	<b>Percentage of attributable equity interest</b>		<b>Principal activities</b>
		<b>2002</b>	2001	
Beijing Long Quan Hotel Limited	Mainland China	<b>32</b>	32	Hotel operation

A summary of the financial information of the jointly controlled entity, is set out as follows:

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
<b>Results</b>		
Turnover	<b>55,178</b>	55,096
Loss for the year	<b>(1,551)</b>	(4,911)
Group's share of loss for the year	<b>(488)</b>	(1,547)
<b>Net assets</b>		
Non-current assets	<b>118,380</b>	100,652
Current assets	<b>33,876</b>	42,762
Current liabilities	<b>(110,943)</b>	(100,791)
Long-term liabilities	<b>(9,443)</b>	(9,390)
	<b>31,870</b>	33,233
Group's share of net assets	<b>10,039</b>	10,469

## 15 ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share of net assets	35,822	55,516	—	—
Amounts receivable	947	1,810	191	134
	<u>36,769</u>	<u>57,326</u>	<u>191</u>	<u>134</u>
Investments at cost				
Unlisted shares	6,001	6,001	—	—
Listed shares in Hong Kong	80,900	80,900	—	—
	<u>86,901</u>	<u>86,901</u>	<u>—</u>	<u>—</u>
Market value of listed shares	15,550	17,266	—	—

The amounts receivable are unsecured, interest free and have no specific repayment terms.

Particulars of the associated companies are as follows:

Name	Place of incorporation/ operation	Percentage of attributable equity interest		Principal activities
		2002	2001	
Genius Group International Limited	Hong Kong	20	20	Apparels and accessories trading
Grand Advance Investments Limited	Hong Kong	50	50	Property investment
Grand Sparkle Investments Limited	Hong Kong	50	50	Property investment
INNOMAXX Biotechnology Group Limited (“INNOMAXX”)	Bermuda/ Hong Kong	13*	20*	Investment holding

\* The Group's equity interest in INNOMAXX was diluted from 20% to 13% (2001: 32% to 20%) following the allotments and issues of new shares by INNOMAXX in 2002, resulting in a loss on deemed partial disposal of HK\$13,682,000 (2001: HK\$16,959,000).

**15 ASSOCIATED COMPANIES (Continued)**

A summary of the financial information of a significant associated company, INNOMAXX, is set out as follows:

	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Results		
Turnover	<u>36,463</u>	<u>25,556</u>
Loss for the year	<u>(36,565)</u>	<u>(36,303)</u>
Group's share of loss for the year	<u>(5,255)</u>	<u>(8,253)</u>
Net assets		
Fixed assets	<b>152,828</b>	183,325
Goodwill	<b>23,554</b>	26,468
Associated company	<b>37,471</b>	—
Current assets	<b>106,022</b>	90,003
Current liabilities	<b>(38,044)</b>	(14,170)
Long-term liabilities	<b>(686)</b>	(10,396)
	<u>281,145</u>	<u>275,230</u>
Group's share of net assets	<u>36,577</u>	<u>55,514</u>

**16 LONG-TERM INVESTMENTS**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000	<b>2002</b> <b>HK\$'000</b>	2001 HK\$'000
Club debentures, at cost	<b>1,942</b>	1,942	<b>1,942</b>	1,942
Unlisted shares	<b>9,737</b>	9,737	—	—
	<u>11,679</u>	<u>11,679</u>	<u>1,942</u>	<u>1,942</u>

Unlisted shares represent the Group's 8% equity interest in Beijing Glory (note 18).

**17 INVENTORIES**

	<b>GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Completed properties	<b>1,080</b>	510
Finished goods	<b>3,976</b>	413
	<u><b>5,056</b></u>	<u>923</u>

The properties are stated at estimated realisable value based on professional valuations made by RHL Appraisal Limited, an independent valuer, on 31st December 2002 on an open market value basis.

**18 INVESTMENTS HELD FOR SALE**

The investments represent the Group's 42% equity interest in and amount receivable from Beijing Glory Real Estate Development Company Limited ("Beijing Glory"), formerly a jointly controlled entity of the Group. In August 2001, the Group entered into an agreement to dispose of this interest and amount receivable to an existing shareholder of Beijing Glory at an aggregate consideration of RMB110,000,000 (approximately HK\$103,400,000), which will be settled by instalments subject to the progress of the pre-sale and completion of the property under development of Beijing Glory. The disposal will be completed upon full settlement of the consideration or such other date to be agreed by the parties to the agreement. As at 31st December 2002, deposits totalling RMB65,000,000 (2001: RMB30,000,000), equivalent to HK\$60,762,000 (2001: HK\$28,078,000), have been received (note 21). Subsequent to the balance sheet date, further deposits totalling RMB17,500,000 (approximately HK\$16,546,000) have also been received. Under the terms of the agreement, the balance of the consideration amounting to RMB27,500,000 (approximately HK\$26,001,000) will be settled by properties completed by Beijing Glory. In January 2003, the Group entered into a supplemental agreement to reduce the consideration by RMB9,500,000 (approximately HK\$8,982,000) conditional upon receiving the balance of the consideration in cash. The sale is anticipated to complete in May 2003.

**19 DEBTORS AND PREPAYMENTS**

	<b>GROUP</b>		<b>COMPANY</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000	<b>HK\$'000</b>	HK\$'000
Trade debtors	<b>4,225</b>	7,986	—	—
Other debtors	<b>4,681</b>	4,121	—	—
Loan receivable	<b>200</b>	14,570	—	—
Deposits and prepayments	<b>3,722</b>	5,960	<b>1,758</b>	1,912
	<u><b>12,828</b></u>	<u>32,637</u>	<u><b>1,758</b></u>	<u>1,912</u>

**19 DEBTORS AND PREPAYMENTS (Continued)**

Rental income from tenants is due and payable in advance. The credit terms granted to trade debtors in respect of sales of electronic components and management services are usually 30 to 45 days. The ageing analysis of the Group's trade debtors, based on the dates of the invoices, is as follows:

	2002 HK\$'000	2001 HK\$'000
Below 30 days	1,840	6,499
30 to 60 days	1,133	837
61 to 90 days	384	392
91 to 120 days	868	258
	<u>4,225</u>	<u>7,986</u>

**20 CASH AND BANK BALANCES**

Cash and bank balances include a fixed deposit of HK\$2,000,000 (2001: HK\$2,000,000) pledged as securities for bank facilities granted to the Group.

**21 CREDITORS AND ACCRUALS**

	GROUP		COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Trade creditors	10,258	8,875	—	—
Other creditors	73,520	43,973	6,277	8,709
Amount due to a Director	12,087	38,795	12,087	38,619
Accrued expenses	5,192	6,335	4,146	5,413
	<u>101,057</u>	<u>97,978</u>	<u>22,510</u>	<u>52,741</u>

Other creditors include deposits of HK\$60,762,000 (2001: HK\$28,078,000) received in respect of the sale of the Group's 42% equity interest in and the amount receivable from Beijing Glory (note 18). The amount payable to the Director, Mr Tong Nai Kan, is unsecured, interest free and has no specific repayment terms. The ageing analysis of the Group's trade creditors, based on the dates of the invoices, is as follows:

	2002 HK\$'000	2001 HK\$'000
Below 30 days	1,514	2,585
30 to 60 days	1,324	1,415
61 to 90 days	2,212	2,002
Over 90 days	5,208	2,873
	<u>10,258</u>	<u>8,875</u>

**22 SHORT-TERM LOANS**

	<b>GROUP AND COMPANY</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Bank loan	<b>3,500</b>	—
Other loans		
Secured ( <i>note a</i> )	<b>3,000</b>	3,000
Unsecured ( <i>note b</i> )	<b>5,800</b>	10,000
	<u><b>12,300</b></u>	<u>13,000</u>

(a) The loan is secured by the Group's shareholding in INNOMAXX, an associated company, and carries interest at a fixed rate of 18% (2001:18%) per annum.

(b) The loan is guaranteed by a Director, Mr Tong Nai Kan, and carries interest at a fixed rate of 2% (2001: 3%) per month.

**23 SHARE CAPITAL**

	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
Authorised:		
1,000,000,000 shares of HK\$1 each	<u><b>1,000,000</b></u>	<u>1,000,000</u>
Issued and fully paid:		
490,584,391 shares of HK\$1 each	<u><b>490,584</b></u>	<u>490,584</u>

The Company operates share option schemes (the "Schemes"), approved by the shareholders of the Company on 13th June 1996 and 22nd May 2000, under which options to subscribe for shares in the Company are granted to selected executives. Under the Schemes, the Directors of the Company may, at their discretion, offer any employees (including any Directors) of the Company or of any of its subsidiary companies options to subscribe for shares in the Company subject to the terms and conditions stipulated in the Schemes. The maximum number of shares in respect of which options may be granted under the Schemes may not exceed, in nominal amount, 10 per cent of the issued share capital of the Company from time to time, excluding for this purpose shares issued upon the exercise of any options granted under the Schemes. During the year, no options were granted (2001: nil) or exercised (2001: nil) and options to subscribe for 9,152,000 shares (2001: 3,352,000 shares) were lapsed. There were no outstanding share options under the Schemes as at 31st December 2002.

**24 RESERVES**

	GROUP		COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Share premium	12,034	12,034	12,034	12,034
Capital redemption reserve	5,318	5,318	5,318	5,318
Capital reserve	1,805	1,805	—	—
Exchange reserve	539	476	—	—
Accumulated losses	(441,080)	(358,930)	(425,984)	(293,185)
	<u>(421,384)</u>	<u>(339,297)</u>	<u>(408,632)</u>	<u>(275,833)</u>

Capital reserve of the Group represents negative goodwill on acquisition of an associated company in 2000. Accumulated loss of the Group includes loss retained by jointly controlled entities and associated companies amounting to HK\$11,458,000 (2001: HK\$10,970,000) and HK\$38,289,000 (2001: HK\$32,207,000), respectively. The loss attributable to shareholders for the year is dealt with in the accounts of the Company to the extent of HK\$132,799,000 (2001: HK\$24,385,000).

As at 31st December 2002, the Company has no reserves available for distribution to shareholders as calculated under Section 79B of the Hong Kong Companies Ordinance.

**25 LONG-TERM LIABILITIES**

	GROUP		COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Secured bank loans				
Wholly repayable within five years	—	18,211	—	3,000
Not wholly repayable within five years	58,579	7,247	52,013	—
Unsecured bank loan	2,291	—	—	—
Advances from a Director	42,000	—	42,000	—
	<u>102,870</u>	<u>25,458</u>	<u>94,013</u>	<u>3,000</u>
Current portion included under current liabilities	(18,922)	(6,811)	(15,910)	(3,000)
	<u>83,948</u>	<u>18,647</u>	<u>78,103</u>	<u>—</u>

**25 LONG-TERM LIABILITIES (Continued)**

The bank loans are repayable in the following years:

	GROUP		COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
2002	—	6,811	—	3,000
2003	18,922	4,106	15,909	—
2004	4,999	4,422	4,241	—
2005	5,188	4,365	4,392	—
2006	5,385	2,291	4,548	—
2007	5,590	882	4,710	—
2008 onwards	20,786	2,581	18,213	—
	<u>60,870</u>	<u>25,458</u>	<u>52,013</u>	<u>3,000</u>

The advances from the Director, Mr Tong Nai Kan, are unsecured, interest free and have no specific repayment terms. The Director has however undertaken not to demand for repayment of these advances on or before May 2004.

**26 COMMITMENTS****(a) Capital commitments**

	GROUP	
	2002 HK\$'000	2001 HK\$'000
Contracted but not provided for	—	73,130
Authorised but not contracted for	—	—
	<u>—</u>	<u>73,130</u>

The commitments at 31 December 2001 included the purchase cost of the property from Lap Ho Properties Limited (note 30).



**26 COMMITMENTS (Continued)****(b) Operating lease commitments**

The future aggregate minimum lease rental expense in respect of land and buildings under non-cancellable operating leases is payable in the following years:

	<b>GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
2002	—	2,897
2003	<b>508</b>	758
2004	<b>153</b>	—
	<u>661</u>	<u>3,655</u>

**(c) Operating lease rental receivable**

The future aggregate minimum lease rental income in respect of land and buildings under non-cancellable operating leases is receivable in the following years:

	<b>GROUP</b>	
	<b>2002</b>	2001
	<b>HK\$'000</b>	HK\$'000
2002	—	892
2003	<b>720</b>	—
2004	<b>140</b>	—
	<u>860</u>	<u>892</u>

**27 CONTINGENT LIABILITIES**

- (a) The Company has provided guarantees in respect of loan facilities granted to subsidiary companies amounting to HK\$8,856,000 (2001: HK\$22,528,000).
- (b) The Company has provided guarantees to banks in respect of mortgage loans made available to the purchasers of properties developed by a former jointly controlled entity, Beijing Glory, in Mainland China. At 31st December 2002, the outstanding guarantee for such mortgage loans amounted to HK\$3,179,000 (2001: HK\$4,152,000).
- (c) There are unprovided deferred taxation liabilities/(benefits) comprising of the following timing differences:

	GROUP		COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Accelerated depreciation allowances	61	13	(61)	13
Taxation losses	(44,214)	(41,496)	(11,488)	(10,491)
	<u>(44,153)</u>	<u>(41,483)</u>	<u>(11,549)</u>	<u>(10,478)</u>

Future taxation benefits attributable to the taxation losses have not been accounted for due to the uncertainty as to their future utilisation. There are no other material timing differences between profit as computed for taxation purposes and profit as stated in the accounts.

**28 RETIREMENT BENEFITS**

With effect from 1st December 2000, the Group operates a defined contribution mandatory provident fund scheme for all eligible employees. The assets of the fund are held separately from the assets of the Group and contributions are calculated as a percentage of the employees' basic salaries. Contributions to the scheme during the year are HK\$810,000 (2001: HK\$277,000).

**29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT****(a) Reconciliation of operating loss to cash (used in)/from operations**

	2002 HK\$'000	2001 HK\$'000
Operating loss	(70,582)	(40,752)
Interest income	(39)	(48)
Depreciation	1,112	890
Loss on deemed partial disposal of an associated company	13,682	16,959
Amortisation of goodwill	4,344	1,448
Realised property revaluation and exchange reserves	—	(10,466)
Deficit on revaluation of investment properties	13,350	1,590
Loss on disposal of fixed assets	11,384	156
	<hr/>	<hr/>
Operating loss before working capital changes	(26,749)	(30,223)
(Increase)/decrease in inventories	(4,133)	11,856
Decrease/(increase) in debtors and prepayments	19,809	(6,156)
(Decrease)/increase in creditors and accruals	(29,740)	38,394
	<hr/>	<hr/>
Cash (used in)/from operations	<u>(40,813)</u>	<u>13,871</u>

## 29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

### (b) Purchase of a subsidiary company

	2002 HK\$'000	2001 HK\$'000
Net assets acquired		
Fixed assets	—	754
Inventories	—	2,839
Debtors and prepayments	—	8,462
Cash and bank balances	—	6,776
Creditors and accruals	—	(10,218)
Taxation	—	(1,043)
Minority interest	—	(3,028)
	<hr/>	<hr/>
	—	4,542
Goodwill (note 12)	—	43,438
	<hr/>	<hr/>
Purchase consolidation at fair value	—	47,980
	<hr/>	<hr/>
Issue of new shares as consideration		
53,000,000 shares at issue price of HK\$1 each	—	(53,000)
Shortfall in market price	—	18,020
	<hr/>	<hr/>
Fair value of share consideration	—	(34,980)
	<hr/>	<hr/>
Cash consideration	—	13,000
Cash and bank balances acquired	—	(6,776)
	<hr/>	<hr/>
Net cash outflow on purchase	—	6,224
	<hr/> <hr/>	<hr/> <hr/>

**29 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)****(c) Analysis of changes in financing**

	Share capital and premium HK\$'000	Bank and other loans HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 31st December 2000	467,638	52,378	548	520,564
Minority interests in share of losses	—	—	(469)	(469)
Acquisition of a subsidiary company	34,980	—	3,028	38,008
Dividend paid to minority interests	—	—	(390)	(390)
Net cash outflow from financing activities	—	(13,920)	(34)	(13,954)
At 31st December 2001	502,618	38,458	2,683	543,759
Minority interests in share of losses	—	—	(1,255)	(1,255)
Net cash inflow from financing activities	—	76,712	—	76,712
At 31st December 2002	502,618	115,170	1,428	619,216

**30 RELATED PARTY TRANSACTIONS**

The following is a summary of the significant related party transactions carried out in the normal course of the Group's business activities during the year:

	2002 HK\$'000	2001 HK\$'000
Rental expense on property	741	1,777
Purchase of properties	<u>76,920</u>	<u>—</u>

During the year, the Group paid rental expense to Lap Ho Properties Limited ("Lap Ho") on the lease of a property amounting to HK\$741,000 (2001: HK\$1,777,000) based on the tenancy agreement between the parties. In May 2002, the Group acquired this property from Lap Ho at a consideration of HK\$76,000,000, which was arrived at with reference to open market value of similar properties in the same district and was negotiated on an arm's length basis based on normal commercial terms, pursuant to a sale and purchase agreement dated 5th October 2001. Lap Ho is a company beneficially owned by a Director of the Company, Mr Tong Nai Kan.

In December 2002, the Group acquired an investment property from an associated company, Grand Sparkle Investments Limited, at a consideration of HK\$920,000, which was negotiated on an arm's length basis based on normal commercial terms.

**31 SUBSEQUENT EVENT**

On 5th February 2003, INNOMAXX allotted and issued 239,200,000 new shares of HK\$0.10 per share, thereby reducing the Group's equity interest from 13.01% to 10.84% and resulting in a loss on deemed partial disposal of approximately HK\$6,101,000.

**32 APPROVAL OF ACCOUNTS**

The accounts were approved by the Board of Directors on 16th April 2003.