1. CORPORATE INFORMATION

During the year, the Group was principally engaged in property development, the operation of a toll bridge (the "Toll Bridge Operations"), the operation of a skiing resort (the "Skiing Operations"), general trading (the "General Trading Operations") and investments in high technology projects.

Subsequent to the balance sheet date, the Toll Bridge Operations and the General Trading Operations were discontinued as a result of the Group's disposal of certain subsidiaries in the mainland of the People's Republic of China ("Mainland China") and the Skiing Operations will be discontinued upon the completion of the Disposal (note 7(b)). Further details of the discontinuing operations are set out in note 7 to the financial statements.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs")

The following new and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

SSAP 9 (Revised):	"Events after the balance sheet date"
SSAP 14 (Revised):	"Leases"
SSAP 18 (Revised):	"Revenue"
SSAP 26:	"Segment reporting"
SSAP 28:	"Provisions, contingent liabilities and contingent assets"
SSAP 29:	"Intangible assets"
SSAP 30:	"Business combinations"
SSAP 31:	"Impairment of assets"
SSAP 32:	"Consolidated financial statements and accounting for investments in subsidiaries"
Interpretation 12:	"Business combinations – subsequent adjustment of fair values and goodwill initially reported"
Interpretation 13:	"Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of these SSAPs and Interpretations which had a significant effect on the financial statements are summarised as follows:

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") *(Continued)*

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. This revised SSAP has been applied retrospectively and its requirements have not had a material effect on the amounts previously recorded in the financial statements and, therefore, no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 34 to the financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the 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 and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 4 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill/negative goodwill arising from acquisitions in previous years which remains eliminated against/credited to consolidated reserve. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 20 to the financial statements. The required new additional disclosures are included in notes 19 and 20 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 the prior year financial statements.

3. BASIS OF PRESENTATION

The Group's financial statements for the year ended 31 December 2001 have been prepared on the following bases:

(a) Going concern

The Group sustained a consolidated net loss from ordinary activities attributable to shareholders of HK$367.9 million for the year ended 31 December 2001. At 31 December 2001, the Group had consolidated net current liabilities of HK$194.1 million and total borrowings of HK$96.5 million, of which HK$15.0 million was overdue at the balance sheet date.

During the year, the Group experienced financial difficulties and had no unutilised banking facilities available to support its normal operational requirements. The Group also had difficulty in repaying short term loans and other indebtedness on time. As a result, certain suppliers and creditors of the Group took legal action against the Group demanding the repayment of amounts due to them by the Group. All such legal claims were properly accrued for as at 31 December 2001.

Subsequent to the balance sheet date, during the period from April to July 2002, an aggregate 200,000,000 new shares of HK$0.10 each in the Company were allotted and issued to an independent third party at a cash subscription price of HK$0.1 per share. The net proceeds from such placement of HK$20 million, before the related expenses, were used to provide additional working capital to the Group.

On 12 December 2002, the Company entered into a share transfer agreement (the "Transfer Agreement") with an independent third party for the disposal of certain subsidiaries in Mainland China for a cash consideration of RMB4 (the "Disposal Transaction"), further details of which are set out in a circular of the Company dated 28 January 2003 (the "Circular"). The Disposal Transaction was completed on 6 March 2003. As set out in the Circular, the Disposal Transaction was intended to relieve the substantial Group debt burden. As further detailed in note 36(b) to the financial statements, the financial position of the Group improved as a result of and subsequent to the Disposal Transaction.

Subsequent to the balance sheet date, in November and December 2002, an existing major shareholder of the Company, granted certain unsecured short term loan facilities to the Group to the extent of HK$35 million at an annual interest rate of 5% (the "Shareholder's Loan Facilities"). Up to the date of approval of these financial statements, HK$24 million had been utilised by the Group for the repayment of its outstanding indebtedness and for working capital.

3. BASIS OF PRESENTATION *(Continued)*

(a) Going concern *(Continued)*

In view of the liquidity problems faced by the Group, in addition to the share placement, implementation of the Disposal Transaction and arrangement of the Shareholder's Loan Facilities, the directors have adopted the following measures with a view to improving the Group's overall financial position, immediate liquidity and cash flows and otherwise sustaining the Group as a going concern:

(i) The directors have been continuously identifying and negotiating with potential purchasers to realise certain of the Group's assets;

(ii) The directors are currently negotiating with certain financial creditors to reschedule the repayment of certain of the Group's indebtedness and to secure additional funding to meet the requirements of the Group. The directors are also in discussions with other financial institutions to obtain new credit facilities to the Group;

(iii) The directors continue to consider various alternatives to strengthen the capital base of the Company through various fund raising exercises, including, but not limited to, private placements; and

(iv) The directors have been taking actions to continue tightening cost control over various general and administrative expenses.

In the opinion of the directors, in light of the measures taken to date, together with the expected results of other measures in progress, the Group will have sufficient cash resources to satisfy its future working capital and other financing requirements. Accordingly, the directors are satisfied that it is appropriate to prepare the financial statements on a going concern basis.

The financial statements have not incorporated any adjustments for the possible failure of the Group to implement the aforesaid measures. Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the value of assets to their recoverable amounts, to provide for any further liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities, respectively. The effects of these adjustments have not been reflected in the financial statements.

3. BASIS OF PRESENTATION *(Continued)*

(b) Available books and records

The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, due to the significant staff and management turnover within the Group during the year and subsequent thereto, certain underlying books and records of the Group were either lost, or could not be located, and have not been properly updated. As a result of the loss of certain books and records, the effects of certain transactions of the Group as reflected in the financial statements cannot be satisfactorily substantiated or otherwise supported, in particular:

(i) Provisions against certain payments and receipts, net

During the year, certain payments aggregating HK$42.3 million were made and certain receipts aggregating HK$39.1 million were received by the Group while it was being managed by the former directors. The net balance of HK$3.2 million (the "Net Receivables") were recorded as sundry debtors by the Group during the year.

In addition, an amount of HK$26 million (the "Receivable"), which was deposited into a Group bank account in late December 2000, was subsequently dishonoured. Accordingly, a prior year reclassification adjustment has been made by the Group to reclassify the amount of HK$26 million from cash and bank balances to debtors, deposits and prepayments as at 31 December 2000.

The current directors have been unable to locate sufficient documentary records or other supporting evidence in respect of the Net Receivables and the Receivable for the purpose of establishing the identification of the parties to the transactions and the underlying nature of the above noted payments and receipts.

The current directors made an official enquiry to the former directors as to the nature of the payments and identification of the parties to the transactions detailed above, but no information has been obtained. In the absence of any information concerning these transactions, the current directors are unable to confirm that all required disclosures in respect thereof have been made and consider that the recovery of the Net Receivables and the Receivable is remote. Accordingly, a full provision has been made against the Net Receivables and the Receivable totalling HK$29.2 million in the current year (note 8). However, insofar as the provision of HK$26 million made against the Receivable is concerned the current directors are unable to determine whether this element should have been provided for in the prior year.

3. BASIS OF PRESENTATION *(Continued)*

(b) Available books and records *(Continued)*

(ii) Financial information of Heilongjiang Industry Co., Ltd. ("HLJ Industry")

The Group's interest in HLJ Industry, a wholly-owned subsidiary, has been frozen by a court in Mainland China since March 2001 (further details of which are set out in note 33(c) to the financial statements). In addition, all staff of HLJ Industry left the Group in early 2002. The financial statements of HLJ Industry for the year ended 31 December 2001 were prepared based on the financial statements for the six months ended 30 June 2001, as adjusted for the latest financial information the current directors could obtain. The books and records of HLJ Industry have also not been fully updated subsequent to the balance sheet date. The amounts recorded in the financial statements of HLJ Industry and therefore consolidated in the Group's financial statements for the year ended 31 December 2001 are as follows:

	HK$'000
Financial position:	
Fixed assets	53,491
Cash and cash equivalents	107
Debtors, deposits and prepayments	88
Amounts due to group companies	(6,846)
Other loans	(1,428)
Creditors, accruals and other payables	(18,616)
Net asset value as at 31 December 2001	26,796
Operating results:	
Turnover	92
Cost of sales	(6,999)
Other revenue and gains	15
Selling and distribution costs	(143)
Administrative expenses	(1,294)
Net loss for the year	(8,329)

3. BASIS OF PRESENTATION *(Continued)*

(b) Available books and records *(Continued)*

(iii) Completeness of books and records subsequent to the balance sheet date

In addition to the foregoing, the books and records of certain subsidiaries have not been fully updated subsequent to the balance sheet date as a result of the significant staff and management turnover noted above as well as bookeeping delays caused by the relocation of the office of a subsidiary operating in Shanghai subsequent to the balance sheet date.

All the current directors were appointed during 2002, except for Mr. Shi Neng He, Mr. Chang Xi Min and Ms. Wong Lin Chooi. The financial statements have been prepared based on the books and records maintained by the Company and its subsidiaries. However, in view of the aforesaid reasons, no representations as to the completeness of the books and records of the Group for the year ended 31 December 2001 could be given by the current directors although care has been taken in the preparation of the financial statements to mitigate the effects of the incomplete records. The current directors are unable to represent that all transactions entered into in the name of the Company and its subsidiaries for the year ended 31 December 2001 have been included in the financial statements. Notwithstanding the foregoing, the current directors have taken such steps as they considered practicable to ascertain the accuracy of the account balances and financial statements based on the information of which they were aware and have made provisions and adjustments as they considered appropriate in the preparation of the financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention.

Basis of consolidation

The consolidated financial statements incorporate 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 the effective dates of acquisition or disposal, respectively. All significant intra-group transactions and balances within the Group are eliminated on consolidation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

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

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 5 to 20 years. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any unamortised goodwill/negative goodwill (not yet recognised in the consolidated profit and loss account) is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

On disposal of subsidiaries or 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/negative goodwill which remains unamortised/has not been recognised in the consolidated profit and loss account and any relevant consolidated reserves, as appropriate. Any attributable goodwill/negative goodwill previously eliminated against/credited to the consolidated capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Goodwill/Negative goodwill *(Continued)*

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated capital reserve, 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.

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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Jointly-controlled entity

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of its jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in its jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

Jointly-controlled operation

A jointly-controlled operation is a type of joint venture involving the use of the assets and other resources of the venturers without the establishment of a corporation, partnership or other entity, and without a financial structure that is separate from the venturers. Each venturer uses its own property, plant and equipment and carries its own inventories. Each venturer also incurs its own expenses and liabilities and raises its own finance, which represent its own obligations. The joint venture agreement usually provides a means by which the revenue from the sale of the joint product and any expenses incurred in common are shared among the venturers.

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

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 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 its 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 reserves, is included as part of the Group's interests in associates.

4. 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, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance costs, 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 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.

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

Land and buildings under medium term leases	Over the lease terms
Operating rights of a toll bridge	Over the joint venture period
Leasehold improvements	Over the lease terms
Plant and machinery	7% - 10%
Furniture and equipment	7% - 20%
Motor vehicles	10% - 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction in progress

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

Properties under development

Properties under development are held for sale. When pre-sales have not commenced, properties under development are stated at the lower of cost and net realisable value. Cost includes all costs attributable to the development, including finance and interest charges. Net realisable value is based on the estimated net sales proceeds less further costs expected to be incurred to completion and disposal.

When a property under development is pre-sold, the attributable profit recognised on the pre-sold portion of the property is determined by the apportionment of the total estimated profit over the entire period of construction to reflect the progress of the development, which is calculated by reference to the proportion of construction costs incurred up to the accounting date to the estimated total construction costs to completion, but is limited to the amount of sales deposits received and with due allowances for contingencies.

Properties under development which have been pre-sold and in respect of which occupation permits are expected to be granted within one year are classified under current assets.

Deposits received on properties under development pre-sold prior to their completion, in excess of the attributable profit recognised are classified under current liabilities.

Properties held for sale

Properties held for sale are stated in the balance sheet at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and building costs of the development attributable to the unsold properties. Net realisable value is based on the estimated net sales proceeds by reference to prevailing market conditions less estimated selling expenses.

Long term investments

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Long term investments *(Continued)*

When impairments 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 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.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less further costs expected to be incurred to completion and disposal.

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.

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.

Foreign currencies

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

On consolidation, the financial statements of subsidiaries, associates and a jointly-controlled entity operating in Mainland China and overseas are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences arising on consolidation are included in the exchange equalisation reserve.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset, being an asset which takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset. The capitalisation of such borrowing costs ceases when the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised as expenses in the period in which they are incurred. No borrowing costs were capitalised during the year.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "Scheme") under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The 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 Scheme. The assets of the Scheme are held separately from those of the Group in independently administered funds. The Group's employer contributions vest fully with the employees when contributed to the Scheme, except for the Group's employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the Scheme.

The employees of the Group's certain subsidiaries which operate in Mainland China participate in local pension schemes (the "LPSs") operated by respective local municipal governments. The subsidiaries are required to contribute certain percentage of their payroll costs to the LPSs. The only obligation of the Group with respect to the LPSs is to pay the mandatory contributions under the LPSs. Contributions under the LPSs are charged to the profit and loss account as they become payable in accordance with the rules of the LPSs.

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) proceeds from the sale of properties (except for the pre-sale of properties under development, the basis of recognition of which is detailed under the accounting policy for "Properties under development" above), investments and 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 properties, investments and goods sold;

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition *(Continued)*

(b) toll bridge income, net of revenue tax, on a receipt basis;

(c) from the rendering of services, on the period in which such services are rendered; and

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

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 equivalents represent assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

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.

5. 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 provided. Each of the Group's business segment represents a strategic business unit that offers different products and services which are subject to risks and returns that are different from those of the other business segments. Summary details of the business segments are as follows:

Continuing operations:

(i) The property development segment engages in the development and sale of properties in Mainland China; and

(ii) The investment holding segment invests in high technology projects in Hong Kong and Mainland China.

Discontinuing operations:

(i) The toll bridge segment operated a toll bridge in Mainland China. This segment was discontinued upon the completion of the Disposal Transaction set out in note 7(a) to the financial statements;

(ii) The general trading segment purchased commodities and sold them to customers in Mainland China. This segment was discontinued upon the completion of the Disposal Transaction set out in note 7(a) to the financial statements; and

(iii) The skiing resort segment operates a skiing resort in Mainland China. This segment will be discontinued upon the completion of the Disposal set out in note 7(b) to the financial statements.

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of their customers, and assets are attributed to the segments based on the location of the assets.

There were no intersegment sales and transfers during the year.

5. SEGMENT INFORMATION *(Continued)*

(a) Business segments

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

GROUP

	Continuing operations						Discontinuing operations								Consolidated	
	Property development		Investment holding*		**Sub-total**		Toll bridge		General trading		Skiing resort		**Sub-total**			
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:																
Sales to external customers	22,732	106,631	9	–	22,741	106,631	4,758	7,774	4,991	4,835	92	297	9,841	12,906	32,582	119,537
Other revenue	7	–	–	16,915	7	16,915	–	–	–	–	–	4,048	–	4,048	7	20,963
Total	22,739	106,631	9	16,915	22,748	123,546	4,758	7,774	4,991	4,835	92	4,345	9,841	16,954	32,589	140,500
Segment results*	(149,883)	25,826	(167,419)	(79,820)	(317,302)	(53,994)	(26,129)	1,810	(1,244)	(542)	(8,344)	(2,562)	(35,717)	(1,294)	(353,019)	(55,288)
Interest income and unallocated gains															303	8,478
Unallocated expenses															(504)	–
Loss from operating activities															(353,220)	(46,810)
Finance costs															(11,122)	(8,516)
Share of profits and losses of:																
A jointly-controlled entity	(6,592)	(14)	–	–	(6,592)	(14)	–	–	–	–	–	–	–	–	(6,592)	(14)
Associates	–	–	(2,209)	(115)	(2,209)	(115)	–	–	–	–	–	–	–	–	(2,209)	(115)
Loss before tax															(373,143)	(55,455)
Tax															(53)	(646)
Loss before minority interests															(373,196)	(56,101)
Minority interests															5,310	(272)
Net loss from ordinary activities attributable to shareholders															(367,886)	(56,373)

* Investment holding is one of the Group's segments and, accordingly, the Group's long term investments, and the corresponding income/expenses, were included in the segment assets and segment results, respectively.

5. SEGMENT INFORMATION *(Continued)*

(a) Business segments *(Continued)*

GROUP

	Continuing operations						Discontinuing operations								Consolidated	
	Property development		Investment holding*		**Sub-total**		Toll bridge		General trading		Skiing resort		**Sub-total**			
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment assets*	283,849	447,653	6,602	58,938	290,451	506,591	20,926	50,383	9,094	11,811	53,686	61,392	83,706	123,586	374,157	630,177
Interests in associates	–	–	58,857	866	58,857	866	–	–	–	–	–	–	–	–	58,857	866
Interests in joint ventures	–	7,971	–	–	–	7,971	–	–	–	–	–	–	–	–	–	7,971
Total assets															433,014	639,014
Segment Liabilities	(116,420)	(105,092)	(34,300)	(7,030)	(150,720)	(112,122)	(5,935)	(5,964)	(4,099)	(2,798)	(18,616)	(17,420)	(28,650)	(26,182)	(179,370)	(138,304)
Unallocated liabilities															(93,689)	(139,461)
Total liabilities															(273,059)	(277,765)
Other segment information:																
Depreciation and amortisation	27	17	5,691	478	5,718	495	2,379	2,361	39	30	7,480	6,882	9,898	9,273	15,616	9,768
Impairment losses recognised in the profit and loss account	74,000	–	35,206	25,000	109,206	25,000	26,636	–	750	–	–	–	27,386	–	136,592	25,000
Unallocated amounts															504	–
															137,096	25,000
Impairment losses reversed in the profit and loss account	–	(39,739)	–	–	–	(39,739)	–	–	–	–	–	–	–	–	–	(39,739)
Other non-cash expenses	42,220	–	94,571	69,540	136,791	69,540	–	–	–	–	–	–	–	–	136,791	69,540
Capital expenditure	80	–	1,437	647	1,517	647	10	28	881	74	400	351	1,291	453	2,808	1,100

* Investment holding is one of the Group's segments and, accordingly, the Group's long term investments, and the corresponding income/expenses, were included in the segment assets and segment results, respectively.

5. SEGMENT INFORMATION *(Continued)*

(b) Geographical segments

The following table presents revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

GROUP

	Hong Kong		Mainland China		Other		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Segment revenue:								
Sales to external customers	9	–	32,573	101,873	–	17,664	32,582	119,537
Other revenue	–	–	7	20,963	–	–	7	20,963
Revenue from external customers	9	–	32,580	122,836	–	17,664	32,589	140,500
Segment results	(135,390)	(46,194)	(217,656)	(11,028)	27	1,934	(353,019)	(55,288)
Other segment information:								
Segment assets	63,568	58,938	369,312	579,857	134	219	433,014	639,014
Capital expenditure	1,437	647	1,371	453	–	–	2,808	1,100

6. TURNOVER AND REVENUE

Turnover represents the aggregate of net proceeds from the sale of properties (in the case of the pre-sale of properties, such proceeds are adjusted to reflect the progress of development), from the sale of goods, toll bridge income and service income from the operation of a skiing resort, after elimination of all significant intra-group transactions.

During the year, the Group had revenue and gains arising from the following activities:

	2001	2000
	HK$'000	HK$'000
Toll bridge operations	**4,758**	7,774
Sale of properties	**22,732**	106,378
Sale of goods	**4,991**	4,835
Skiing operations	**92**	297
Others	**9**	253
Turnover	**32,582**	119,537
Exchange gains, net	**–**	1,775
Interest income	**303**	6,703
Gain on disposal of long term investments	**–**	16,916
Others	**7**	4,047
Other revenue and gains	**310**	29,441
Total revenue and gains	**32,892**	148,978

7. DISCONTINUING OPERATIONS

(a) Disposal of the Group's entire interests in certain assets

As described in note 3(a) to the financial statements, the Company entered into the Transfer Agreement with a purchaser, pursuant to which the Group disposed of the following assets to the purchaser for a total consideration of RMB4.

- The Group's entire 100% interest in Fairyoung (Xiamen) Real Estate Development Limited ("Xiamen Real Estate"). Xiamen Real Estate and its subsidiaries operated certain property development projects in Mainland China and carried out the Group's General Trading Operations; and
- The Group's entire 100% interest in Acot Company Limited ("Acot"). Acot and its subsidiary carried out the Group's Toll Bridge Operations.

7. DISCONTINUING OPERATIONS *(Continued)*

The Disposal Transaction was completed on 6 March 2003, pursuant to the signing of a completion memorandum by the Group and the purchaser at that date, whereupon the Group's Toll Bridge Operations and General Trading Operations were discontinued. Further details of the Disposal Transaction are also set out in note 36(b) to the financial statements.

In the year ended 31 December 2001, the Toll Bridge Operations and General Trading Operations contributed HK$4,758,000 (2000: HK$7,774,000) and HK$4,991,000 (2000: HK$4,835,000) to the Group's turnover and accounted for HK$26,446,000 (2000: profit of HK$1,787,000) and HK$2,530,000 (2000: HK$539,000) of the Group's loss before tax, respectively.

(b) Disposal of the Group's entire interest in the Skiing Operations

On 4 September 2002, the Group entered into a conditional agreement with an independent third party purchaser for the disposal of the Group's Skiing Operations, for a total consideration of RMB56 million (HK$52.7 million) (the "Disposal"). Up to the date of approval of these financial statements, the Disposal had not completed.

Upon the completion of the Disposal, the Group will discontinue its Skiing Operations.

In the year ended 31 December 2001, the Skiing Operations contributed HK$92,000 (2000: HK$297,000) to the Group's turnover and accounted for HK$8,329,000 (2000: loss of HK$2,521,000) of the Group's loss before tax.

The gain or loss on disposal of the above-mentioned operations will be determined based on the sale proceeds less the consolidated net asset value of the Group's interests in such operations as at the date of completion plus the release of relevant reserves on an individual investment basis. As at the date of the approval of these financial statements, the directors are unable to estimate the gain or loss on the disposal of such operations with reasonable accuracy.

8. LOSS FROM OPERATING ACTIVITIES

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

	2001	2000
	HK$'000	HK$'000
Cost of services rendered	**272**	352
Cost of inventories sold	**3,682**	4,302
Cost of properties sold	**37,078**	81,033
Auditors' remuneration	**1,200**	870
Depreciation	**10,273**	9,768
Operating lease rentals in respect of land and buildings	**4,325**	2,098
Staff costs (excluding directors' remuneration - note 10):		
Wages and salaries	**9,084**	8,189
Retirement benefits scheme contributions	**283**	21
Loss on disposal of fixed assets, net	**255**	456
Exchange losses, net	**57**	–
Items included in other operating expenses, net:		
Provisions against interests in associates (note 19(a))	**46,612**	–
Provisions against advances and for guarantees given to a shareholder of an associate	**3,352**	–
Impairment/(Reversal of impairment) of properties under development (note 16)	**74,000**	(19,964)
Write-back of provision for construction costs	**–**	(19,775)
Provisions for doubtful debts	**1,165**	2,540
Provisions against long term deposits	**17,692**	67,000
Provision for an amount due from a jointly-controlled entity	**1,941**	–
Impairment of long term investments	**9,683**	25,000
Impairment of fixed assets (note 15)	**27,386**	–
Impairment of goodwill arising from the acquisitions of an associate and subsidiaries previously dealt with in reserves (note 20)	**26,027**	–
Provisions for properties held for sale	**26,483**	–
Provisions against certain payments and receipts, net (note 3(b)(i))	**29,185**	–
Provision against a legal claim	**10,361**	–
Amortisation of goodwill attributable to associates (note 19)	**5,343**	–

9. FINANCE COSTS

	2001	2000
	HK$'000	HK$'000
Interest on bank loans and other loans wholly repayable:		
Within five years	**11,103**	8,516
Over five years	**19**	–
	11,122	8,516

10. DIRECTORS' REMUNERATION

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

	2001	2000
	HK$'000	HK$'000
Fees	**–**	–
Other emoluments:		
Salaries, allowances and benefits in kind	**3,934**	1,923
Retirement benefits scheme contributions	**49**	3
	3,983	1,926

The independent non-executive directors received no fees or other emoluments for their services rendered to the Group during the year (2000: Nil).

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

	Number of directors	
	2001	2000
Nil - HK$1,000,000	**9**	7
HK$1,000,001 - HK$1,500,000	**2**	1

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

11. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two (2000: three) directors, details of whose remuneration are set out in note 10 to the financial statements. The details of the remuneration of the other three (2000: two) non-director, highest paid employees, are as follows:

	2001	2000
	HK$'000	HK$'000
Salaries, allowances and benefits in kind	**1,849**	1,003
Retirement benefits scheme contributions	**23**	2
	1,872	1,005

The remuneration of these employees fell within the band of Nil - HK$1,000,000 (2000: Nil - HK$1,000,000) for the year.

12. TAX

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

During the year, the Group had income tax of HK$53,000 (2000: HK$646,000) arising from subsidiaries operating in Mainland China.

No provision for tax is required for the Group's jointly-controlled entity and associates as no assessable profits were earned by the jointly-controlled entity and associates during the year (2000: Nil).

There was no material unprovided deferred tax during the year.

13. 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$313,474,000 (2000: HK$34,467,000).

Losses accumulated for the year are as follows:

	2001	2000
	HK$'000	HK$'000
The Company and subsidiaries	**(359,085)**	(56,244)
A jointly-controlled entity	**(6,592)**	(14)
Associates	**(2,209)**	(115)
	(367,886)	(56,373)

14. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to shareholders of HK$367,886,000 (2000: HK$56,373,000) and on the weighted average of 1,699,766,135 (2000: 1,227,760,517) ordinary shares in issue during the year.

Diluted loss per share for the year ended 31 December 2001 has not been disclosed as no diluting events existed in respect of the Company's warrants outstanding during the year.

The diluted loss per share for the year ended 31 December 2000 has not been shown as the warrants and options outstanding during that year had an anti-dilutive effect on the basic loss per share.

15. FIXED ASSETS

GROUP

	Land and buildings HK$'000	Operating rights of a toll bridge HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture and equipment HK$'000	Motor vehicles HK$'000	Construction in progress HK$'000	Total HK$'000
Cost:								
At beginning of year	24,059	56,354	1,140	713	67,826	2,730	3,895	156,717
Additions	–	–	1,876	–	385	147	400	2,808
Disposals	–	–	(1,105)	–	(1,079)	(230)	–	(2,414)
Exchange adjustments	157	367	–	–	331	6	25	886
At end of year	24,216	56,721	1,911	713	67,463	2,653	4,320	157,997
Accumulated depreciation and impairment:								
At beginning of year	2,072	7,882	798	713	29,994	985	–	42,444
Provided during the year	1,003	2,261	514	–	6,240	255	–	10,273
Disposals	–	–	(908)	–	(453)	(176)	–	(1,537)
Impairment	750	26,636	–	–	–	–	–	27,386
Exchange adjustments	13	51	–	–	185	3	–	252
At end of year	3,838	36,830	404	713	35,966	1,067	–	78,818
Net book value:								
At 31 December 2001	**20,378**	**19,891**	**1,507**	**–**	**31,497**	**1,586**	**4,320**	**79,179**
At 31 December 2000	21,987	48,472	342	–	37,832	1,745	3,895	114,273

15. FIXED ASSETS *(Continued)*

The impairment loss of fixed assets of HK$27,386,000 arose from the subsequent Disposal Transaction (note 7(a)) and was determined based on professional valuations.

Certain furniture and equipment with a net book value as at 31 December 2001 of HK$29,535,000 (2000: HK$35,056,000) have been pledged to secure other loans granted to the Group (note 28).

Certain land and buildings with a net book value as at 31 December 2001 of HK$1,606,000 (2000: HK$2,356,000) have been pledged to secure certain banking facilities granted to the Group (note 27).

All land and buildings and properties included under construction in progress are situated in Mainland China and are held under medium term leases.

16. PROPERTIES UNDER DEVELOPMENT

	GROUP	
	2001	2000
	HK$'000	HK$'000
At cost:		
At beginning of year	**565,251**	586,734
Additions	**3,523**	45,884
Disposals	**–**	(65,011)
Transferred to properties held for sale	**(145,620)**	–
Transferred to fixed assets	**–**	(2,356)
Exchange adjustments	**2,309**	–
	425,463	565,251
Less: Accumulated impairment	**(197,649)**	(186,699)
At end of year	**227,814**	378,552
Portion classified under current assets	**–**	(81,552)
Non-current portion	**227,814**	297,000

All of the properties under development are situated in Mainland China and are held under medium term leases.

16. PROPERTIES UNDER DEVELOPMENT *(Continued)*

An additional impairment loss of HK$74,000,000 was made for the year ended 31 December 2001. The impairment arose from the subsequent Disposal Transaction and unfavourable conditions in the property market in certain areas in Mainland China and was determined based on the directors' estimates of market values of these properties under development with reference to professional valuations.

A reversal of impairment loss of HK$19,964,000 was made for the year ended 31 December 2000. The reversal of impairment arose from improved market conditions in certain areas in Mainland China and was determined based on the directors' estimates of market values of these properties under development with reference to professional valuations.

Certain properties under development amounting to HK$24,489,000 (2000: HK$99,000,000) held by the Group have been pledged to secure banking facilities granted to the Group (note 27).

Certain properties under development amounting to HK$177,000,000 (2000: HK$198,000,000) held by the Group have been pledged to secure banking facilities granted to an independent third party.

17. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2001	2000
	HK$'000	HK$'000
Unlisted investments, at cost	**633,131**	633,131
Due from subsidiaries	**428,029**	296,035
Due to subsidiaries	**(212,899)**	(198,784)
	848,261	730,382
Less: Provisions for impairment	**(668,696)**	(381,794)
	179,565	348,588

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

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Details of the principal subsidiaries at the balance sheet date were as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital/registered capital	Percentage of interest attributable to the Company 2001	2000	Principal activities
Acot Company Limited*	British Virgin Islands	US$1	**100**	100	Investment holding
Dynamic Global Development Limited (Formerly known as Fairyoung Development Limited)	Hong Kong	HK$4 (note (a))	**100**	100	Investment holding
Fairyoung Port Investments (Holdings) Limited	British Virgin Islands	US$299	**100**	100	Investment holding
Fairyoung (Shanghai) Properties Limited #	People's Republic of China	US$12,000,000 (note (b))	**100**	100	Property development
Fairyoung (Xiamen) Real Estate Development Limited #*	People's Republic of China	US$3,000,000 (note (b))	**100**	100	Property development
Gover Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Heilongjiang Industry Co., Ltd. #	People's Republic of China	RMB50,000,000 (note (b))	**100**	100	Operation of a skiing resort
Huicheng (Zhang Jia Kou) Development Co., Ltd. # #*	People's Republic of China	RMB30,000,000 (note (b))	**80**	80	Operation of a toll bridge
Liberal Supply Limited	British Virgin Islands	US$1	**100**	100	Investment holding

17. INTERESTS IN SUBSIDIARIES *(Continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued and fully paid ordinary share capital/registered capital	Percentage of interest attributable to the Company 2001	2000	Principal activities
Praford Limited	Hong Kong	HK$8	**75**	75	Internet content provider
Softech Limited	British Virgin Islands	US$1	**100**	100	Investment holding
Xiamen Jin Bo Er Trading Ltd. @*	People's Republic of China	RMB5,000,000 (note (b))	**100**	100	General trading

Wholly foreign-owned enterprise registered in the People's Republic of China
Sino-foreign co-operative joint venture registered in the People's Republic of China
@ Limited company established in the People's Republic of China
* These subsidiaries were disposed of upon the completion of the Disposal Transaction subsequent to the balance sheet date on 6 March 2003 (note 7(a)).

Except for Liberal Supply Limited, all of the above principal subsidiaries are indirectly held by the Company.

Notes:

(a) The issued share capital of Dynamic Global Development Limited comprises two voting ordinary shares of HK$1 each and two non-voting deferred shares of HK$1 each.

(b) The amount represents the registered capital in the People's Republic of China.

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.

The results of the subsidiaries acquired in the prior year had no significant impact on the Group's turnover and loss after tax for the year ended 31 December 2000.

18. INTERESTS IN JOINT VENTURES

	2001 HK$'000	2000 HK$'000
Share of net assets of a jointly-controlled entity	–	6,613
Due from a jointly-controlled entity	1,941	1,358
	1,941	7,971
Provision for an amount due from a jointly-controlled entity	(1,941)	–
	–	7,971

The amount due from a jointly-controlled entity is unsecured, interest-free and has no fixed terms of repayment.

The Group's share of the post-acquisition accumulated exchange reserves of the jointly-controlled entity as at 31 December 2001 was Nil (2000: HK$1,349,000).

Particulars of the jointly-controlled entity, which is a corporate entity, are as follows:

Name	Nominal value of issued and paid-up registered capital/ Place of registration and operations	Percentage of attributable equity interest held by the Group 2001	2000	Principal activity
Shanghai Huiyang Real Estate Development Co., Ltd. ("SH Huiyang")	US$5,000,000/ People's Republic of China	60	60	Property development

18. INTERESTS IN JOINT VENTURES *(Continued)*

Summary extracts of the operating results and financial position of SH Huiyang are as follows:

	2001	2000
	HK$'000	HK$'000
Operating results:		
Turnover	**1,283**	23,089
Loss after tax	**(13,488)**	(23)
Financial position:		
Non-current assets	**57**	66
Current assets	**28,700***	33,905
Current liabilities	**(31,223)**	(22,949)
Net assets/(liabilities)	**(2,466)**	11,022

* Included in the current assets were certain properties held for sale in Mainland China with a carrying amount of HK$27,114,000 as at 31 December 2001 which were foreclosed by a court in Mainland China for the repayment of certain indebtedness of SH Huiyang.

The Group has entered into a jointly-controlled operation to develop a property in Mainland China.

At 31 December 2001, the aggregate amounts of assets, liabilities, income and profit/(loss) recognised in the financial statements in relation to the jointly-controlled operation were as follows:

	GROUP	
	2001	2000
	HK$'000	HK$'000
Share of aggregate amounts of:		
Assets	**64,507**	71,281
Liabilities	**107,281**	73,237
Income	**22,856**	89,114
Profit/(loss)	**(127,142)**	9,354

19. INTERESTS IN ASSOCIATES

	GROUP	
	2001	2000
	HK$'000	HK$'000
Share of net assets/(liabilities)	**(3,225)**	3,959
Goodwill on acquisition	**108,277**	–
Due from associates	**595**	182
Due to an associate	**–**	(3,275)
	105,647	866
Provisions for impairment	**(46,612)**	–
Provision for an amount due from an associate	**(178)**	–
	58,857	866

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

All the associates of the Group are corporate entities.

As detailed in notes 2, 4 and 20 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001 to remain eliminated against or credited to the consolidated capital reserve, respectively. Goodwill and negative goodwill on subsequent acquisitions capitalised as an asset and is included as part of the Group's interests in associates.

The movements of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of associates during the year were as follows:

	HK$'000
Cost:	
Arising from the acquisition of associates during the year and at 31 December 2001	113,620
Accumulated amortisation and impairment:	
Amortisation provided during the year	5,343
Impairment provided during the year	46,612
At 31 December 2001	51,955
Net book value:	
At 31 December 2001	**61,665**

19. INTERESTS IN ASSOCIATES *(Continued)*

Details of the principal associates at the balance sheet date were as follows:

Name	Place of registration and operations	Percentage of interest attributable to the Group 2001	2000	Principal activities
Beijing Xinhua Huiyang Network Technology Ltd.	People's Republic of China	**49**	49	Internet online bookstore
Beijing Zotn Digital Technologies, Inc. ("Beijing Zotn")#	People's Republic of China	**20.3**	–	Application service provider
Golden Yield Enterprises Limited ("Golden Yield")	British Virgin Islands	**29**	–	Investment holding
Lawsons Infotech (Holdings) Corporation ("Lawsons Infotech") (note (a))	British Virgin Islands	**20**	–	Investment holding and development and licensing of e-commerce solutions
Shenzhen Yuan Tang Baye Fingerprint Recognition Technology Co., Limited ("Shenzhen Fingerprint")@	People's Republic of China	**18**	–	Design and development of fingerprint recognition technology
Well Known Technology Limited ("Well Known") (note (a))	Hong Kong	**20**	–	Investment holding

\# Beijing Zotn is a 70%-owned subsidiary of Golden Yield.

@ Shenzhen Fingerprint is a 90%-owned subsidiary of Well Known.

The above table lists the associates of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

19. INTERESTS IN ASSOCIATES *(Continued)*

Note:

(a) During the year, the Group acquired a 20% interest each in Lawsons Infotech and Well Known.

Lawsons Infotech is an investment holding company and, through its subsidiaries, is engaged in the development and licensing of e-commerce solutions.

The principal asset of Well Known is the holding of a 90% interest in Shenzhen Fingerprint, a company established in Shenzhen, Mainland China. Shenzhen Fingerprint is principally engaged in the design and development of fingerprint recognition technology.

To the knowledge of the current directors, both operations of Lawsons Infotech and Well Known have been suspended.

The current directors have been unable to locate or obtain the necessary financial information in respect of Lawsons Infotech and Well Known for the purpose of equity accounting for these associates in the Group's financial statements for the current year. Accordingly, these financial statements have not included the Group's share of results of Lawsons Infotech and Well Known since the date of their acquisition to 31 December 2001.

Due to the unsatisfactory current development of these two associates, full provisions aggregating HK$46.6 million against the Group's interests in Lawsons Infotech and Well Known have been made by the Group in the current year's profit and loss account.

20. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. As further detailed in note 4 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill, in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against or credited to the consolidated capital reserve, respectively.

The movements of the goodwill and negative goodwill remaining in the consolidated capital reserve, arising from the acquisition of subsidiaries and associates prior to 1 January 2001, during the year were as follows:

20. GOODWILL AND NEGATIVE GOODWILL *(Continued)*

	GROUP	
	Goodwill eliminated against consolidated capital reserve HK$'000	**Negative goodwill credited to consolidated capital reserve HK$'000**
Cost:		
At 1 January 2001 and 31 December 2001	26,027	(1,367)
Accumulated impairment:		
Impairment provided during the year		
- for an acquisition of an associate (note (a))	2,386	–
- for acquisitions of subsidiaries (note (b))	23,641	–
At 31 December 2001	26,027	–
Net book value:		
At 31 December 2001	–	(1,367)

Notes:

(a) This represents impairment loss of goodwill attributable to Beijing Xinhua Huiyang Network Technology Ltd. ("Beijing Xinhua"), a 49%-owned associate of the Group. Beijing Xinhua develops an e-commerce platform for selling books online to customers in Mainland China and overseas. Due to the continuous losses incurred by Beijing Xinhua since the Group's acquisition thereof in 2000, in the opinion of the directors, the relevant goodwill would not be recoverable and, therefore, full provision was made in the current year.

(b) This represents impairment losses of goodwill attributable to Dynamic Global Development Limited ("DGDL") of HK$504,000 and Softech Limited ("Softech") of HK$23,137,000, DGDL and Softech are wholly-owned subsidiaries of the Group.

DGDL's principal subsidiaries, Xiamen Real Estate and Acot, were disposed of subsequent to the balance sheet date as a result of the Disposal Transaction. In the opinion of the directors, the goodwill attributable to DGDL would not be recoverable and, accordingly, full provision for the goodwill was made in the current year.

Softech is an investment holding company with a 75% equity interest in Praford Limited, which is principally engaged in the provision of a web-based education portal called tinyschool.com.hk. Due to the continuous losses incurred since the Group's acquisition thereof in 2000, in the opinion of the directors, the relevant goodwill would not be recoverable and, therefore, full provision was made in the current year.

21. LONG TERM INVESTMENTS

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unlisted investments, at cost	**34,500**	41,859	**29,500**	29,500
Less: Provisions for impairment	**(34,500)**	(32,176)	**(29,500)**	(22,500)
	–	9,683	**–**	7,000

22. PROPERTIES HELD FOR SALE

At 31 December 2001, the carrying amount of properties held for sale carried at net realisable value was HK$50,649,000 (2000: Nil).

23. DEBTORS, DEPOSITS AND PREPAYMENTS

Included in the balance is an amount of HK$954,000 (2000: HK$1,351,000) representing the trade debtors of the Group. An aged analysis of the such debtors is as follows:

	GROUP	
	2001	2000
	HK$'000	HK$'000
Within 3 months	**950**	584
More than 3 months but less than 6 months	**4**	580
More than 6 months but less than 1 year	**–**	187
	954	1,351

Trading terms with customers are largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within 30 days of issuance, except for certain well established customers, where the terms are extended to two to three months. Credit limits were set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

24. CASH AND CASH EQUIVALENTS AND PLEDGED/RESTRICTED BANK BALANCES

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
		(Restated)		(Restated)
Total cash and bank balances (note)	**6,442**	59,096	**13**	10
Less: Pledged bank balances				
- for short term bank loans	**(116)**	–	**–**	–
- for securing mortgage loans of certain purchasers of the Group's properties held for sale	**(2,390)**	–	**–**	–
Restricted bank balances for repairs and maintenance of the Group's properties held for sale	**(236)**	–	**–**	–
	(2,742)	–	**–**	–
Cash and cash equivalents as at 31 December	**3,700**	59,096	**13**	10

Note: As described in note 3(b)(i), a prior year reclassification adjustment has been made to reclassify the cash and bank balances of HK$26 million to debtors, deposits and prepayments as at 31 December 2000.

25. CREDITORS, ACCRUALS AND OTHER PAYABLES

Included in the balance is an amount of HK$14,155,000 (2000: HK$16,774,000) representing the trade creditors of the Group. An aged analysis of such creditors is as follows:

	GROUP	
	2001	2000
	HK$'000	HK$'000
Within 3 months	**832**	–
More than 3 months but less than 6 months	**–**	351
More than 1 year	**13,323**	16,423
	14,155	16,774

26. DUE TO A MINORITY SHAREHOLDER OF A SUBSIDIARY

The amount due to a minority shareholder of a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

27. BANK LOANS

	GROUP	
	2001	2000
	HK$'000	HK$'000
Secured	**62,135**	40,067
Unsecured	**–**	40,520
	62,135	80,587

The maturity of the above amounts are as follows:

	GROUP	
	2001	2000
	HK$'000	HK$'000
Bank loans repayable:		
Within one year or on demand	**47,696**	35,240
In the second year	**13,327**	2,938
In the third to fifth years, inclusive	**483**	41,623
Over five years	**629**	786
	62,135	80,587
Portion classified under current liabilities	**(47,696)**	(35,240)
Non-current portion	**14,439**	45,347

The Group's secured bank loans are pledged by the revenue from and operating rights of the Toll Bridge Operations, certain of the Group's fixed assets with a net book value of HK$1,606,000 (2000: HK$2,356,000), properties under development with a carrying value of HK$24,489,000 (2000: HK$99,000,000) and a bank balance of HK$116,000 (2000: Nil) as at 31 December 2001.

28. OTHER LOANS

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unsecured	**24,318**	20,000	**16,500**	20,000
Secured	**4,729**	1,602	**–**	–
	29,047	21,602	**16,500**	20,000

The unsecured other loans bear interest at rates ranging from 7.56% to 24% (2000: 24%) per annum and are repayable within one year, except for loans of HK$9,318,000 which have been overdue at 31 December 2001.

The secured other loans bear interest at rates ranging from 7% to 30% (2000: 7%) per annum and are repayable within one year, except for a loan of HK$1,429,000 which has been overdue at 31 December 2001. These loans are secured by certain of the Group's fixed assets with a net book value of HK$29,535,000 (2000: HK$35,056,000) as at 31 December 2001 and the Group's 100% interest in HLJ Industry.

29. DEFERRED TAX

	GROUP	
	2001	2000
	HK$'000	HK$'000
At beginning of year	**34,091**	72,396
Release of deferred tax provision relating to properties under development (note 31)	**(34,091)**	(38,305)
At end of year	**–**	34,091

30. SHARE CAPITAL

Shares

	COMPANY	
	2001	2000
	HK$'000	HK$'000
Authorised:		
4,000,000,000 ordinary shares of HK$0.10 each	**400,000**	400,000
Issued and fully paid:		
2,189,410,504 (2000: 1,384,460,072) ordinary shares of HK$0.10 each	**218,941**	138,446

30. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

A summary of the transactions during the year with reference to the movements in the Company's share capital and share premium account is as follows:

	Notes	Number of shares issued	Issued share capital HK$'000	Share premium account HK$'000
At beginning of year		1,384,460,072	138,446	59,086
Warrants exercised	(a)	432	–	–
Allotment of new shares for acquisitions of subsidiaries:				
On 17 March 2001	(b)	200,000,000	20,000	11,600
On 21 May 2001	(c)	125,000,000	12,500	7,375
On 1 November 2001	(d)	479,950,000	47,995	9,599
At 31 December 2001		2,189,410,504	218,941	87,660

Notes:

(a) 432 ordinary shares were issued at a subscription price of HK$0.20 each pursuant to the exercise of the Company's warrants for a total consideration, before expenses, of HK$86.

(b) Pursuant to an agreement dated 12 March 2001 entered into between the Group, Beijing Investment Limited ("Beijing Investment") and Mr. Au Shui Yuen Alick ("Mr. Au"), the Group agreed to acquire 1,500 and 500 ordinary shares of HK$1.00 each in Well Known (note 19(a)) from Beijing Investment and Mr. Au, respectively, representing an aggregate of 20% of the entire issued share capital therein. On 17 March 2001, the consideration was satisfied by the allotment and issue of 200,000,000 new ordinary shares of the Company credited as fully paid at a fair value of HK$0.158 each.

(c) Pursuant to a conditional agreement dated 22 March 2001 entered into between the Group, Mr. Law Su Kwong ("Mr. Law"), Mr. Chan Wing Cheng, Barry ("Mr. Chan"), and Tudor House Properties Limited ("Tudor"), the Group agreed to acquire 8,800, 1,320 and 880 ordinary shares of US$1.00 each in Lawsons Infotech (note 19(a)) from Mr. Law, Mr. Chan and Tudor, respectively, representing an aggregate of 20% of the entire issued share capital therein. On 21 May 2001, the consideration was satisfied by the allotment and issue of 125,000,000 new ordinary shares of the Company credited as fully paid at a fair value of HK$0.159 each.

30. SHARE CAPITAL *(Continued)*

Shares *(Continued)*

(d) Pursuant to several share purchase agreements dated 20 September 2001 entered into between the Group, Morining Zone Co., Limited ("Morining"), Bestray Investments Limited ("Bestray"), Bestate Investments Limited ("Bestate") and New Charm Investments Limited ("New Charm"), respectively, the Group agreed to acquire a total of 2,900 ordinary shares of US$1.00 each in Golden Yield Enterprises Limited ("Golden Yield") and the related shareholders' loans of approximately HK$417,000 advanced to Golden Yield by Morining, Bestray, Bestate and New Charm. On 1 November 2001, the consideration was satisfied by the allotment and issue of 479,950,000 new ordinary shares of the Company credited as fully paid at a fair value of HK$0.12 each. As a result of these transactions, the Group obtained in aggregate 29% of the entire issued share capital of and the shareholders' loans of HK$417,000 to Golden Yield.

Golden Yield has a 70% interest in a sino-foreign equity joint venture enterprise, Beijing Zotn Digital Technologies, Inc., which is an application service provider in Mainland China.

Subsequent to the balance sheet date, the movements in the issued share capital of the Company were as follows:

(a) On 25 March 2002, 231,000,000 new ordinary shares, credited as fully paid at a fair value of HK$0.058 each, were issued (note 36(a)).

(b) During the period from April to July 2002, an aggregate amount of 200,000,000 new ordinary shares, credited as fully paid at HK$0.10 per share, were issued (note 3(a)).

Warrants

Pursuant to an ordinary resolution passed at the special general meeting held on 16 August 1999, 203,139,840 warrants were issued by way of a bonus issue in the proportion of three bonus warrants for every five shares then held. Each warrant entitles its registered holder to subscribe in cash for one fully paid ordinary share of HK$0.10 in the share capital of the Company at any time during the period from 1 March 2000 to 31 August 2001 (both dates inclusive) at a subscription price of HK$0.20 per share, subject to adjustment.

12,264,112 and 432 of these warrants were exercised for the year ended 31 December 2000 and 2001, respectively.

The remaining unexercised warrants lapsed on 31 August 2001.

30. SHARE CAPITAL *(Continued)*

Share options

On 28 June 1990, the Company adopted a share option scheme (the "Old Scheme") under which the directors were authorised at their absolute discretion, to invite any employee, including any executive director of the Company or any of its subsidiaries, to take up options to subscribe for shares in the Company. The maximum number of shares in respect of which options could be granted under the Old Scheme could not exceed 10% of the share capital of the Company in issue from time to time. On 28 January 2000, 105,302,420 share options were granted to certain directors of the Company to subscribe for ordinary shares in the Company at a subscription price of HK$0.246 per share. 26,325,605 of these share options were exercised on 13 April 2000 and the remaining 78,976,815 share options were cancelled on 28 June 2000 upon the expiry of the Old Scheme.

On 28 June 2000, a new share option scheme was adopted by the Company (the "New Scheme"), under which the directors of the Company are authorised at their absolute discretion, to invite any employee, including any executive director of the Company or any of its subsidiaries, to take up options to subscribe for shares in the Company. The subscription price will be determined by the directors at the higher of the nominal value of the shares or not less than 80% of the average of the closing price per share on the Stock Exchange for the five trading days immediately preceding the date on which the relevant option is granted to the employee.

The maximum number of shares in respect of which options may be granted under the New Scheme may not exceed 10% of the issued shares of the Company from time to time which have been duly allotted and issued.

The New Scheme became effective for a period of three years on 28 June 2000.

On 1 August 2000, 123,693,880 share options under the New Scheme were granted to certain directors of the Company to subscribe for ordinary shares in the Company. 61,846,940, 30,923,470 and 30,923,470 share options were exercised at a subscription price of HK$0.151 per share on 25 August 2000, 26 August 2000 and 3 October 2000, respectively, leaving no share options outstanding as at 31 December 2000.

During the year, there was no option granted by the Company and the Company had no options outstanding as at 31 December 2001.

31. RESERVES

GROUP

	Share premium account HK$'000	Capital reserve HK$'000	Capital redemption reserve HK$'000	Exchange equalisation reserve HK$'000	Legal reserve HK$'000 (note (a))	Retained profits/ (accumulated losses) HK$'000	Total HK$'000
At 1 January 2000	24,731	134,294	52	10,278	980	55,636	225,971
Premium on issue of shares	34,355	–	–	–	–	–	34,355
Transfer from deferred tax (note 29)	–	38,305	–	–	–	–	38,305
Net loss for the year	–	–	–	–	–	(56,373)	(56,373)
Goodwill arising on acquisition of subsidiaries	–	(23,137)	–	–	–	–	(23,137)
Goodwill arising on acquisition of an associate	–	(2,386)	–	–	–	–	(2,386)
Transfers from the consolidated profit and loss account	–	–	–	–	76	(76)	–
At 31 December 2000 and 1 January 2001	59,086	147,076	52	10,278	1,056	(813)	216,735
Premium on issue of shares	28,574	–	–	–	–	–	28,574
Transfer from deferred tax (note 29)	–	34,091	–	–	–	–	34,091
Net loss for the year	–	–	–	–	–	(367,886)	(367,886)
Impairment of goodwill arising on acquisitions of							
- subsidiaries	–	23,641	–	–	–	–	23,641
- an associate	–	2,386	–	–	–	–	2,386
Transfer from the consolidated profit and loss account	–	–	–	–	4	(4)	–
Exchange adjustments	–	–	–	2,697	–	–	2,697
At 31 December 2001	**87,660**	**207,194**	**52**	**12,975**	**1,060**	**(368,703)**	**(59,762)**

31. RESERVES *(Continued)*

COMPANY

	Share premium account HK$'000	Contributed surplus HK$'000 (note (b))	Capital redemption reserve HK$'000	Accumulated losses HK$'000	Total HK$'000
At 1 January 2000	24,731	337,613	52	(137,646)	224,750
Premium on issue of shares	34,355	-	-	-	34,355
Net loss for the year	-	-	-	(34,467)	(34,467)
At 31 December 2000 and at 1 January 2001	59,086	337,613	52	(172,113)	224,638
Premium on issue of shares	28,574	-	-	-	28,574
Net loss for the year	-	-	-	(313,474)	(313,474)
At 31 December 2001	**87,660**	**337,613**	**52**	**(485,587)**	**(60,262)**

	GROUP	
	2001	2000
	HK$'000	HK$'000
Losses accumulated in:		
Company and subsidiaries	**(341,852)**	17,237
Jointly-controlled entity	**(24,073)**	(17,481)
Associates	**(2,778)**	(569)
	(368,703)	(813)

Notes:

(a) The legal reserve is a statutory reserve of foreign investment enterprises in Mainland China. The transfers to this reserve are governed by the relevant laws and regulations in the People's Republic of China.

(b) The contributed surplus arose in 1989 as a result of the Group's reorganisation and represented the difference between the nominal value of the Company's shares allotted under the reorganisation scheme and the then consolidated net asset value of the acquired subsidiaries. According to the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain circumstances.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK$'000	HK$'000
		(Restated)
Loss from operating activities	**(353,220)**	(46,810)
Interest income	**(303)**	(6,703)
Depreciation	**10,273**	9,768
Impairment of fixed assets	**27,386**	–
Loss on disposal of fixed assets, net	**255**	456
Impairment/(Reversal of impairment) of properties under development	**74,000**	(19,964)
Write-back of provision for construction costs	**–**	(19,775)
Provision for an amount due from a jointly-controlled entity	**1,941**	–
Amortisation of goodwill attributable to associates	**5,343**	–
Provisions against interests in associates	**46,612**	–
Provision for an amount due from an associate	**178**	–
Provisions against advances and for guarantees given to a shareholder of an associate	**3,352**	–
Impairment of goodwill arising from the acquisitions of an associate and subsidiaries previously dealt with in reserves	**26,027**	–
Impairment of long term investments	**9,683**	25,000
Provisions against long term deposits	**17,692**	67,000
Provisions for properties held for sale	**26,483**	–
Provisions for doubtful debts	**1,165**	2,540
Provisions against certain payments and receipts, net	**29,185**	–
Gain on disposal of long term investments	**–**	(16,916)
Provision against a legal claim	**10,361**	–
Decrease/(increase) in properties under development	**(3,523)**	19,127
Increase in long term deposits	**(3,336)**	(10,394)
Decrease in properties held for sale	**11,663**	16,021
Decrease/(increase) in inventories	**490**	(169)
Decrease/(increase) in debtors, deposits and prepayments	**4,433**	(31,746)
Increase/(decrease) in creditors, accruals and other payables	**25,309**	(5,536)
Increase/(decrease) in deposits received	**2,979**	(19,352)
Net cash outflow from operating activities	**(25,572)**	(37,453)

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account) HK$'000	Bank loans HK$'000	Other loans HK$'000	Due to a shareholder HK$'000	Due to a minority shareholder of a subsidiary HK$'000	Minority interests HK$'000
Balance at 1 January 2000	132,426	104,963	6,042	7,839	5,615	6,068
Cash inflow/(outflow) from financing, net	27,606	31,772	15,560	(7,839)	(231)	–
Issue of new shares for non-cash consideration	37,500	–	–	–	–	–
Transfer of loan to a debtor	–	(56,148)	–	–	–	–
Share of profit for the year	–	–	–	–	–	272
Dividends paid to a minority shareholder of a subsidiary	–	–	–	–	–	(272)
Balance at 31 December 2000 and 1 January 2001	197,532	80,587	21,602	–	5,384	6,068
Cash inflow/(outflow) from financing, net	–	(18,838)	7,435	–	(70)	–
Issue of new shares for non-cash consideration	109,069	–	–	–	–	–
Share of loss for the year	–	–	–	–	–	(5,310)
Exchange adjustments	–	386	10	–	35	18
Balance at 31 December 2001	306,601	62,135	29,047	–	5,349	776

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(c) Acquisition of subsidiaries

	2001 HK$'000	2000 HK$'000
Net assets acquired:		
Fixed assets	–	455
Cash and bank balances	–	3,845
Debtors, deposits and prepayments	–	63
	–	4,363
Goodwill	–	23,137
	–	27,500
Satisfied by:		
Issue of shares	–	27,500

An analysis of the net inflow of cash and bank balances in respect of the acquisition of subsidiaries is as follows:

	2001 HK$'000	2000 HK$'000
Cash and bank balances acquired	–	3,845

The subsidiaries acquired during the prior year had no significant impact on the Group's cash flows.

(d) Major non-cash transactions

During the year, the Group had the following significant major non-cash transactions:

(i) On 17 March 2001, 200,000,000 new ordinary shares of HK$0.10 each in the Company were allotted and issued at a fair value of HK$0.158 per share, credited as fully paid, to satisfy the sum of HK$31,600,000, being the full consideration payable for the subscription of shares in Well Known (note 19(a)).

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

(d) Major non-cash transactions *(continued)*

(ii) On 21 May 2001, 125,000,000 new ordinary shares of HK$0.10 each in the Company were allotted and issued at a fair value of HK$0.159 per share, credited as fully paid, to satisfy the sum of HK$19,875,000, being the full consideration payable for the acquisition of shares in Lawsons Infotech (note 19(a)).

(iii) On 1 November 2001, 479,950,000 new ordinary shares of HK$0.10 each in the Company were allotted and issued at a fair value of HK$0.12 per share, credited as fully paid, to satisfy the sum of HK$57,594,000, being the full consideration payable for the acquisition of shares in and the shareholders' loans of HK$417,000 to Golden Yield.

In the prior year, the Group had the following significant major non-cash transactions:

(i) On 3 March 2000, 12,500,000 new ordinary shares of HK$0.10 each in the Company were allotted and issued at an issue price of HK$0.40 per share, credited as fully paid, to satisfy the sum of HK$5,000,000, being the full consideration payable for the subscription of shares in iMall123.com Limited.

(ii) On 19 May 2000 and 5 June 2000, 90,000,000 and 20,000,000 new ordinary shares of HK$0.10 each in the Company were allotted and issued respectively at an issue price of HK$0.25 per share, credited as fully paid, to satisfy the sum of HK$27,500,000, being the full consideration payable for the acquisition of shares in Softech.

(iii) On 3 October 2000, 22,727,272 new ordinary shares of HK$0.10 each in the Company were allotted and issued at an issue price of HK$0.22 per share, credited as fully paid, to satisfy the sum of HK$5,000,000, being the full consideration payable for the acquisition of shares in Victory Tech Investments Limited.

(iv) Pursuant to a financing agreement dated 24 November 2000 entered into between the Group, a debtor and a bank of the Group, the Group's liability in respect of a bank loan of HK$56,148,000 was transferred to a debtor and the same amount owed by the debtor to the Group was released.

(v) Interest income of HK$6,185,000 was settled by the transfer to the Group of properties held for sale of the same amount during the year.

33. CONTINGENT LIABILITIES

(a) Guarantees

	GROUP		COMPANY	
	2001	2000	**2001**	2000
	HK$'000	HK$'000	**HK$'000**	HK$'000
Guarantees given for banking/ other loan facilities granted to:				
Subsidiaries	**–**	–	**12,546**	27,632
A third party	**–**	1,601	**–**	–
Guarantees given to banks in respect of mortgage loans made to the purchasers of the Group's properties under development	**61,268**	50,465	**–**	–
	61,268	52,066	**12,546**	27,632

(b) At the balance sheet date, the Group's share of guarantees given to banks in respect of mortgage loans made to the purchasers of the properties of its jointly-controlled entity totalled HK$6,241,000 (2000: HK$6,660,000).

(c) In addition to the above contingent liabilities, the current directors noted that a judgement was made by a court in Mainland China (the "Court") on 22 March 2000 against the Company and DGDL (note 20(b)), a wholly-owned subsidiary of the Group, in relation to a claim of RMB11.6 million (approximately HK$10.9 million) made by a former landlord of the Group in respect of an alleged breach of a tenancy agreement (the "Tenancy Agreement") signed by Heilongjiang Fairyoung Real Estate Development Co., Ltd. ("HLJ Real Estate"), a former subsidiary of DGDL, in 1994 (the "Judgement"). HLJ Real Estate was disposed of by the Group in 1997.

The current directors consider that the Group has valid defences against the claim as neither the Company, nor DGDL were parties to the Tenancy Agreement and, therefore, the current directors intend to make an appeal against the claim. However, as stated in the Judgement, an appeal should be made within 15 days from the date of Judgement which has already lapsed. The directors are currently seeking legal opinion in respect of the legal procedures to re-open the case for the intended appeal. No provision has been made in respect of this Judgement claim at the current time.

On 30 March 2001, an order was made by the Court that DGDL's existing 100% interest in a wholly-owned subsidiary, Heilongjiang Industry Co., Ltd. ("HLJ Industry"), be frozen as security for the repayment of the claim and this restriction has been imposed upon the Group thereby affecting the intended disposal of its interest in HLJ Industry (see note 3b(ii)).

33. CONTINGENT LIABILITIES *(Continued)*

(c) *(Continued)*

HLJ Industry is principally engaged in the Skiing Operations, which operations have been suspended since early 2002.

On 4 September 2002, the Group entered into a conditional agreement with an independent third party purchaser to dispose of the Skiing Operations, comprising mainly land and buildings and related equipment of the skiing resort, for a consideration of RMB56 million (approximately HK$52.7 million) (the "Disposal"). Pursuant to the terms of the Disposal agreement, a fee of RMB2.5 million (approximately HK$2.4 million) is required to be paid by the Group and the purchaser, respectively, in an attempt to apply to the Court for the release of the frozen capital of HLJ Industry. To date, both the Group and the purchaser have not paid the required fee and, accordingly, the Disposal had not completed up to the approval date of these financial statements.

34. OPERATING LEASE ARRANGEMENTS

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

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

	2001	2000
	HK$'000	HK$'000
		(Restated)
Within one year	**1,590**	2,388
In the second to fifth years, inclusive	**1,158**	3,124
	2,748	5,512

SSAP 14 (Revised), which was adopted during the year, requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the above prior year amounts have been restated to accord with the current year's presentation.

The Company did not have significant operating lease arrangements at the balance sheet date.

35. COMMITMENTS

At the balance sheet date, the Group had the following commitments:

(a) Capital commitments not provided for in the financial statements

	2001	2000
	HK$'000	HK$'000
Fixed assets and construction in progress:		
Authorised, but not contracted for	**30,002**	29,384
Properties under development:		
Authorised and contracted for	**22,777**	116,641
Authorised, but not contracted for	**131,646**	147,792
	154,423	264,433
Others:		
Authorised and contracted for	**151,118**	46,564
Total commitments	**335,543**	340,381

(b) In addition to the above, the Group's attributable share of authorised and contracted for commitment of its jointly-controlled entity in respect of properties amounted to HK$1,448,000 at the prior year end.

The Company did not have significant commitments at the balance sheet date.

36. POST BALANCE SHEET EVENTS

In addition to those post balance sheet events disclosed in notes 3 and 7 to the financial statements, subsequent to the balance sheet date, the following significant events of the Group took place:

(a) On 4 March 2002, an agreement was entered into between the Group and Modern World Enterprises Co., Ltd. whereby the Group agreed to acquire 1,000 additional ordinary shares of US$1 each in Golden Yield, a 29%-owned associate of the Group as at 31 December 2001, representing 10% of the then issued share capital of Golden Yield.

On 25 March 2002, the consideration was satisfied by the allotment and issue of 231,000,000 new ordinary shares of the Company credited as fully paid at a fair value of HK$0.058 each.

Following the completion of the acquisition, the Group increased its shareholding in Golden Yield from 29% to 39%.

36. POST BALANCE SHEET EVENTS *(Continued)*

(b) As further detailed in notes 3(a) and 7(a) to the financial statements, the Group completed the Disposal Transaction on 6 March 2003.

A summary of the condensed pro forma adjusted consolidated net assets as at 31 December 2001, based on the audited consolidated net assets of the Group at the same date and adjusted as if the completion of the Disposal Transaction had taken place at that date, is presented below.

	Audited consolidated net assets HK$'000	Assets and liabilities of the disposed subsidiaries HK$'000	Consideration for the Disposal Transaction HK$'000	Pro forma adjusted consolidated net assets HK$'000
NON-CURRENT ASSETS				
Fixed assets	79,179	23,118		56,061
Properties under development	227,814	50,799		177,015
Interests in associates	58,857	–		58,857
Other non-current assets	2,626	1,726		900
	368,476			292,833
CURRENT ASSETS	64,538	57,857	–	6,681
CURRENT LIABILITIES	(258,620)	(116,366)		(142,254)
NET CURRENT LIABILITIES	(194,082)			(135,573)
NON-CURRENT LIABILITIES				
Long term portion of bank loans	(14,439)	(14,439)		–
MINORITY INTERESTS	(776)	(656)		(120)
	159,179			157,140

As at the date of the approval of these financial statements, the Group was unable to estimate the gain or loss arising on the Disposal Transaction with reasonable accuracy.

37. COMPARATIVE AMOUNTS

As further explained in notes 3(b)(i) and 34 to the financial statements, a prior year reclassification adjustment has been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

38. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 April 2003.