

Notes to the Financial Statements

Year ended 31 December 2002

1. GENERAL

The Company was incorporated in Hong Kong. Its ordinary shares are listed on The Stock Exchange of Hong Kong Limited.

2. PRINCIPAL ACCOUNTING POLICIES

These financial statements have been prepared in accordance with Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the principal accounting policies adopted by the Group is set out below.

Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties and land and buildings, and the marking to market of certain other investments as explained in the accounting policies set out below.

Preparation of financial statements

For the year ended 31 December 2002, the Group reported a net loss for the year of approximately HK\$139,393,000. In addition, as at 31 December 2002, the Group had a net capital deficiency of approximately HK\$405,154,000 which was mainly due to investment loss, valuation deficits on property portfolio and provisions. Up to and until 31 December 2002, the Group was unable to repay principal and interest of its bank borrowings amounting to approximately HK\$265,653,000 when they fell due. As a consequence, the bank demanded immediate repayment of the related borrowings and interest, which have been classified as current liabilities in the financial statements as at 31 December 2002.

The Group is discussing with the relevant banks to restructure the repayment terms of the existing borrowings and to request that they continue providing credit facilities to the Group. In addition, discussions with potential investors continue as to whether further investment will be made in the Group. The Directors believe that the future operations of the Group will be successful. Accordingly the financial statements have been prepared on the going concern basis which assumes that the relevant banks will agree to restructure the Group's bank borrowings and that the discussions with potential investors will result in additional funding.

Notes to the Financial Statements

Year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. The results of subsidiaries acquired and disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. All significant inter-company transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or negative goodwill, which have not been previously charged or recognised in the consolidated income statement.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries. Losses attributable to minority shareholders of partly owned subsidiaries are accounted for based on the respective equity owned by the minority shareholders up to the capital contributed by and other reserves attributable to the minority shareholders. Thereafter, the Group assumes all further losses.

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

Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Company, directly or indirectly, holds more than half of the voting power or issued share capital, or controls the composition of the board of directors or equivalent governing body. Investments in subsidiaries are stated at cost less accumulated impairment losses. The carrying amount of the investment is reduced to its recoverable amount on an individual basis.

Associates

An associate is an enterprise in which the Group has significant influence and which is neither a subsidiary or a joint venture.

The consolidated income statement includes the Group's share of the results of the associate for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associate, net of accumulated amortisation and impairment losses.

Notes to the Financial Statements

Year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or an associate at the date of acquisition. When the terms of an acquisition provide for a subsequent adjustment of the purchase consideration, such adjustment will be treated as addition to or reduction in the cost of acquisition when it becomes probable and a reliable estimate can be made. Goodwill on acquisition is recognised as an asset and is amortised on a straight-line basis over its useful economic life not more than 5 years.

The carrying amount of goodwill is reviewed annually and written down for impairment losses. 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.

Revenue recognition

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

Sale of merchandise is recognised when goods are delivered and title has passed.

Transportation service income and laboratory testing service income are recognised in the period when services are rendered.

Interest income is accrued on a time proportion basis on the principal outstanding and at the interest rate applicable.

Rental income is recognised in the period in which the properties are let out and on a straight-line basis over the lease terms.

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long-term basis for their investment potential.

Investment properties were previously stated at their open market values on the basis of annual professional valuations.

During the current year, the Group was unable to meet the demand from creditor banks for the repayments of its bank borrowings, certain of which were secured by the Group's investment properties. On prudence grounds, the investment properties have been included in the balance sheet at their estimated restricted realisation prices as at 31 December 2002.

Notes to the Financial Statements

Year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Major costs incurred in restoring assets to their normal working conditions are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

The gain or loss arising from the retirement or disposal of property, plant and equipment is determined as the difference between the estimated net sales proceeds and the carrying amount of the assets and is recognised as income or expense in the income statement.

Land and buildings were previously stated in the balance sheet at their open market values, less any subsequent accumulated depreciation and accumulated impairment losses.

During the current year, the Group's land and buildings were taken possession by a creditor bank. The assets have been included in the balance sheet at their estimated restricted realisation prices as at 31 December 2002. The decrease in net carrying amount arising on revaluation of an asset has been recognised as an expense.

Depreciation is provided to write off the cost or valuation less accumulated impairment losses of property, plant and equipment, over their estimated useful lives from the date on which they become fully operational and after taking into account of their estimated residual values, using the straight-line method, at the following rates per annum:

Leasehold land and buildings	2%
Leasehold improvements	Over lease terms
Machinery and equipment	7% – 12%
Motor vehicles and vessels	13% – 20%
Furniture and fixtures	20%

Notes to the Financial Statements

Year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Investment in securities

Investments held on a continuing basis with an identified long-term purpose are classified as investment securities, which are stated at cost less any provision for impairment losses that is expected to be other than temporary.

The carrying amount of individual investment securities are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such investments will be reduced to its fair value. The impairment loss is recognised as an expense in the period in which the decline occurs. The impairment loss is written back to income when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Other investments are stated in the balance sheet at their fair values. Changes in fair values are recognised in the income statement as they arise.

Profits and losses on disposal of investment securities and other investments are accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the securities.

Impairment loss

At each balance sheet date, the Group reviews internal and external sources of information to determine whether the carrying amounts of its tangible and intangible assets have suffered an impairment loss or impairment loss previously recognised no longer exists or may be reduced. If any such indication exists, the recoverable amount of the asset is estimated, based on the higher of its net selling price and value in use. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the smallest group of assets that generates cash flows independently (i.e. a cash-generating unit).

If the recoverable amount of an asset or a cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. Impairment losses are recognised as an expense, except where the relevant asset is carried at valuation in which case the impairment loss is treated as a revaluation decrease.

A reversal of impairment losses is limited to the carrying amount of the asset or cash-generating unit that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is recognised as income immediately, except where the relevant asset is carried at valuation, in which case it is treated as a revaluation increase.

Notes to the Financial Statements

Year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions involving foreign currencies are translated at the rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated at the rates of exchange ruling at that date. Translation differences are included in the income statement.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future. A deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals payable and receivable under operating leases are recognised as an expense and revenue on the straight-line basis over the lease terms. Lease incentives received are recognised in the income statement as an integral part of the net consideration agreed for the use of the leased asset. Contingent rentals are recognised as expenses in the accounting period in which they are incurred.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of obligation can be made. Expenditures for which a provision has been recognised are charged against the related provision in the year in which the expenditures are incurred. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount provided is the present value of the expenditures expected to be required to settle the obligation. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

Notes to the Financial Statements

Year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Cash equivalents

For the purpose of cash flow statement, cash equivalents represent short-term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, net of bank overdrafts.

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.

Employee benefits

Defined contribution plans

The obligations for contributions to defined contribution Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance, are recognised as an expense in the income statement as incurred. The assets of the scheme are held separately from those of the Company in an independently administrated fund.

Equity and equity related compensation benefits

The share option scheme allows the Group's employees to acquire shares of the Company. The option exercise price equals to the price prescribed in the share option scheme agreement and no compensation cost or obligation is recognised. When the options are exercised, equity is increased by the amount of the proceeds received.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Notes to the Financial Statements

Year ended 31 December 2002

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Segment reporting (Continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. For example, segment assets may include, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

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

3. TURNOVER AND REVENUE

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in property investment, pharmaceuticals, bio-pharmaceuticals, financial services and transportation services.

Turnover and revenue recognised by category are analysed as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Transportation service income	647	4,364
Rental income	5,304	11,111
Net sales of merchandise	-	9,169
Interest income from loan receivables	-	569
Laboratory testing service income	834	2
Turnover	6,785	25,215
Interest income:		
- bank deposits	63	9
- amount due from Singapore Hong Kong Properties Investment Limited ("SHKP")	-	4,435
Other revenue	63	4,444
Revenue	6,848	29,659

Notes to the Financial Statements

Year ended 31 December 2002

4. DISCONTINUING OPERATION

During the year, the Group discontinued its transportation service.

The turnover, results and net cash flows of the discontinued operation for the current year, which have been included in the financial statements were as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Turnover	647	4,364
Transportation service costs	(1,033)	(6,597)
Other operating expenses	(1,861)	(11,093)
Gain (Loss) on disposal of property, plant and equipment	1,561	(1,293)
Impairment of assets	(1,591)	-
Finance costs	-	(374)
Loss from ordinary activities before taxation	(2,277)	(14,993)
Taxation	806	771
Loss from ordinary activities	(1,471)	(14,222)
Net cash flows		
Operating activities	(5,350)	(1,362)
Investing activities	4,773	2,284
Financing activities	-	-
Total cash flows	(577)	922

The assets and liabilities to be disposed of for the discontinued operation are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Property, plant and equipment	955	6,586
Other assets	3,453	7,823
Total assets	4,408	14,409
Total liabilities	(1,121)	(9,651)
Net assets	3,287	4,758

Notes to the Financial Statements

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5. LOSS FROM ORDINARY ACTIVITIES BEFORE TAXATION

This is stated after charging (crediting):

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
(a) Finance costs		
Interest on bank overdrafts and borrowings wholly repayable within five years	24,712	36,570
Interest on other borrowings	163	948
	24,875	37,518
(b) Other items		
Staff costs (including retirement costs of HK\$184,000 (2001: HK\$416,000))	7,596	11,271
Auditors' remuneration	535	1,155
Amortisation of negative goodwill	-	(71)
Amortisation of positive goodwill	-	1,000
Depreciation	1,915	3,259
Operating lease charges:		
Hire of plant and machinery	-	507
Premises	908	1,573
Holding losses on other investments:		
SHKP	2,993	1,944
Others	84	8
Loss (Profit) on disposal of other investments	566	(627)
(Gain) Loss on disposal of property, plant and equipment	(1,526)	1,788
Rental income (gross: HK\$5,304,000 (2001: HK\$10,443,000)) net of outgoings from operating leases on investment properties	(5,119)	(8,573)

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6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS

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

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Fees	80	30
Salaries, other emoluments and other benefits in kind	3,301	3,577
Retirement scheme contributions	24	31
	3,405	3,638

Included in the directors' emoluments were fees of HK\$80,000 (2001: HK\$30,000) paid to an independent non-executive director during the year.

In addition to the above emoluments, certain directors were granted share options under the Company's Employee Share Option Scheme. These benefits in kind include the difference between the market price of the Company's shares and the exercise price of share options granted to the directors at the date of exercise of the share options by the directors irrespective of whether the resulting shares were sold or retained by the directors. For the year ended 31 December 2002, no share options were exercised by the directors.

The Company's executive directors were entitled to discretionary bonus. For the year ended 31 December 2002, no discretionary bonus was paid.

The emoluments of directors are within the following bands:

	Number of directors	
	2002	2001
Nil to HK\$1,000,000	3	6
HK\$2,000,001 to HK\$2,500,000	1	-
HK\$2,500,001 to HK\$3,000,000	-	1
	4	7

There was no arrangement under which director waived or agreed to waive any remuneration during the year. No incentive payment for joining the Group or compensation for loss of office was paid or payable to any director during the year.

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Year ended 31 December 2002

6. DIRECTORS' AND SENIOR EXECUTIVES' EMOLUMENTS (Continued)

The five highest-paid individuals of the Group for the year included 2 directors whose emoluments have been disclosed above. The emoluments of these individuals other than directors are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Salaries, allowances and benefits in kind	1,428	1,521
Retirement schemes contributions	36	26

The emoluments of the 3 highest-paid individuals other than directors fell within the HK\$Nil – HK\$1,000,000 band.

7. TAXATION

	The Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong Profits Tax:		
Overprovision in prior years	-	(243)
Deferred taxation	(806)	(528)
	(806)	(771)

Hong Kong Profits Tax has not been provided as the Group incurred losses for taxation purposes for the year.

Deferred taxation assets not recognised for the year in respect of tax losses amounted to approximately HK\$937,000 (2001: HK\$4,569,000).

8. LOSS FOR THE YEAR

Loss for the year includes a loss of approximately HK\$109,602,000 (2001: HK\$120,679,000) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

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9. LOSS PER SHARE

The calculation of basic loss per share for the year ended 31 December 2002 was based on the consolidated loss of approximately HK\$139,393,000 (2001: HK\$298,211,000) and the weighted average of 310,071,346 shares (2001: weighted average of 310,071,346 shares) in issue during the year.

During the year, every 20 ordinary shares of HK\$0.001 each in the issued and unissued share capital of the Company were consolidated into one ordinary share of HK\$0.02 each. Details of share consolidation are stated in note 22(b)(iii). The comparative information regarding the loss per share has been restated accordingly.

No diluted loss per share is presented as the outstanding employee share options are anti-dilutive.

10. INVESTMENT PROPERTIES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Valuation		
At beginning of year	94,550	301,762
Disposals	(90,150)	(23,370)
Revaluation deficit	(1,400)	(183,842)
At balance sheet date	3,000	94,550

The carrying value of investment properties held by the Group at the balance sheet date comprised:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Land in Hong Kong:		
Long leases	-	77,280
Medium-term leases	3,000	17,270
	3,000	94,550

Investment properties mortgaged to a bank were revalued at their estimated restricted realisation prices at the balance sheet date by RHL Appraisal Ltd., independent professional valuers. Deficit on revaluation of HK\$1,400,000 (2001: HK\$183,842,000) has been charged to the income statement.

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11. PROPERTY, PLANT AND EQUIPMENT

(a) The Group

	Land and buildings	Machinery and equipment	Motor vehicles and vessels	Leasehold improvements, furniture and fixtures	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation					
At beginning of year	33,000	8,451	1,191	1,661	44,303
Additions	-	-	-	117	117
Revaluation deficit	(8,000)	-	-	-	(8,000)
Disposals	-	(7,260)	-	(45)	(7,305)
At balance sheet date	25,000	1,191	1,191	1,733	29,115
Accumulated depreciation					
At beginning of year	-	2,529	474	259	3,262
Charge for the year	562	702	175	476	1,915
Impairment loss	-	1,591	-	403	1,994
Revaluation deficit	(562)	-	-	-	(562)
Write off on disposals	-	(4,048)	-	(6)	(4,054)
At balance sheet date	-	774	649	1,132	2,555
Net book value					
At balance sheet date	25,000	417	542	601	26,560
At beginning of year	33,000	5,922	717	1,402	41,041
Analysis of cost or valuation of property, plant and equipment at balance sheet date					
At cost	-	1,191	1,191	1,733	4,115
At valuation in 2002	25,000	-	-	-	25,000
Total cost or valuation	25,000	1,191	1,191	1,733	29,115

Notes to the Financial Statements

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11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(b) The Company

	Motor vehicles	Leasehold improvements, furniture and fixtures	Total
	HK\$'000	HK\$'000	HK\$'000
Cost			
At beginning of year	245	370	615
Additions	-	86	86
Disposals	-	(16)	(16)
At balance sheet date	245	440	685
Accumulated depreciation			
At beginning of year	192	121	313
Charge for the year	49	97	146
Written off on disposals	-	(2)	(2)
At balance sheet date	241	216	457
Net book value			
At balance sheet date	4	224	228
At beginning of year	53	249	302

- (c) All land and buildings are situated in Hong Kong and are held on long leases and mortgaged as collateral for the Group's banking facilities.

The Group's land and buildings were taken possession by a creditor bank during the year. They were revalued at estimated restricted realisation prices at the balance sheet date by RHL Appraisal Ltd., independent professional valuers. Deficit on revaluation of approximately HK\$7,438,000 (2001: HK\$14,040,000) has been charged to the income statement.

The carrying amount of the Group's land and buildings at the balance sheet date would have been HK\$25,000,000 (2001: HK\$33,000,000) had they been stated at cost less accumulated depreciation and accumulated impairment losses.

The Group's property, plant and equipment include gross amount of HK\$Nil (2001: HK\$9,397,000) and accumulated depreciation of HK\$Nil (2001: HK\$2,812,000) in respect of assets held for use under operating leases.

Notes to the Financial Statements

Year ended 31 December 2002

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

(c) (Continued)

The directors have reviewed the carrying value of machinery and equipment and furniture and fixtures and determined that the recoverable amount from the use or sale of certain of these assets has significantly declined below their carrying amount. Accordingly, the carrying value of these assets has been reduced by approximately HK\$1,994,000 (2001: HK\$Nil) to reflect this impairment loss. The recoverable amount of these assets is determined by reference to the net selling price of recent transactions in an active market.

12. GOODWILL

	Positive goodwill	Negative goodwill	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year and at balance sheet date			
Cost	36,875	(71)	36,804
Accumulated amortisation and impairment losses	(35,327)	71	(35,256)
Closing carrying amount	1,548	-	1,548

13. INVESTMENT SECURITIES

	The Group and the Company	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
HK128.com Limited	60,000	60,000
Less : Impairment loss	(59,999)	(59,999)
	1	1

In February 2000, the Company acquired 15% equity interests in HK128.com Limited, a company incorporated in the British Virgin Islands by issuance of 300,000,000 ordinary shares of the Company of HK\$0.2 each at par. HK128.com Limited was principally engaged in the operation of a financial information website in Hong Kong.

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14. INTEREST IN SUBSIDIARIES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	89,522	89,522
Loans to subsidiaries	791,648	789,115
Less: Provisions	881,170 (877,770)	878,637 (870,672)
	3,400	7,965

Loans to subsidiaries are unsecured, interest-free and have no pre-determined repayment terms. In 2001, loans to subsidiaries of approximately HK\$44,545,000 were unsecured and bore interest at 7.2% per annum. The Company has agreed not to demand repayment from the subsidiaries before 1 January 2004.

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

Name of subsidiary	Place of incorporation/ operation	Issued and fully paid capital	Percentage of capital held by the Company	Principal activities
Brilliant Team Investment Limited	Hong Kong	HK\$2	100%	Investment holding
China Bio-Medical Company Limited	Hong Kong	HK\$2	100%	Investment holding
Deluxe Gold International Limited	Hong Kong	HK\$2	100%	Investment holding
GenePro Medical Biotechnology Limited	Hong Kong	HK\$1,000,000	100%	DNA testing services
Global Link Shipping Limited*	Hong Kong	HK\$100,000	70%	Inactive
Golden Head Limited	Hong Kong	HK\$2	100%	Property investment
Grace Concord Investment Limited	Hong Kong	HK\$2	100%	Property investment
Jumbo Gold International Limited	Hong Kong	HK\$2	100%	Investment holding
Kimpo Investment Limited	Hong Kong	HK\$2	100%	Investment holding
Ontex Investment Limited	Hong Kong	HK\$2	100%	Investment holding

* This subsidiary is indirectly owned by the Company.

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14. INTEREST IN SUBSIDIARIES (Continued)

The above summary lists only those subsidiaries of the Company which, in the opinion of the directors, principally affected the results or formed a substantial portion of the net worth of the Group. To give details for other subsidiaries would, in the opinion of the Company's directors, result in particulars of excessive length.

None of the subsidiaries had any loan capital in issue at any time during the year ended 31 December 2002.

15. INTEREST IN ASSOCIATES

	Biosonic Limited	Beijing Radiant Bio-Tech Limited	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted shares, at cost	–	24,500	24,500	24,500
Share of net assets	18	–	18	–
	18	24,500	24,518	24,500
Less: Pre-operating expenses	–	(4,902)	(4,902)	(1,426)
Impairment loss	–	(7,598)	(7,598)	–
	18	12,000	12,018	23,074
Due to an associate	(8)	–	(8)	–
	10	12,000	12,010	23,074

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15. INTEREST IN ASSOCIATES (Continued)

Details of the associates at the balance sheet date are as follows:

Name of associate	Form of business structure	Principal place of operation/Place of incorporation	Proportion of nominal value of issued/registered capital held by the Group	Principal activities
Biosonic Limited	Corporate	PRC/British Virgin Islands	20%	Provision of general property consultancy services
Beijing Radiant Bio-Tech Limited (北京科瑞源病毒生物技術有限公司)	Wholly foreign-owned enterprise	PRC	49%	Business not yet commenced

Beijing Radiant Bio-Tech Limited was previously a Sino-foreign equity joint venture owned as to 49% and 51% by the Group and a PRC party respectively. On 5 April 2002, its legal status of the Sino-foreign equity was changed to a wholly foreign-owned enterprise.

At the balance sheet date, this associate had not commenced business. Pre-operating expenses incurred by the associate have been fully absorbed by the Group for prudence sake. As more fully described in note 31(c), the Company has entered into an agreement after 31 December 2002 to sell its entire interest in this associate for a total consideration of HK\$12,000,002. The Group's interest in this associate has been written down to this amount and an impairment loss of approximately HK\$7,598,000 (2001: HK\$Nil) has been recognised in the income statement.

16. OTHER INVESTMENTS

	The Group and the Company	
	2002	2001
	HK\$'000	HK\$'000
At fair value:		
Equity securities listed in Hong Kong		
– SHKP	338	4,327
– Others	48	133
	386	4,460

Notes to the Financial Statements

Year ended 31 December 2002

17. TRADE AND OTHER RECEIVABLES

	Note	The Group		The Company	
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables	17(a)	2,530	3,055	-	-
Other receivables					
Deposits, prepayment and other debtors		2,344	4,073	58	645
Due from a related company	17(b)	-	254	-	400
Due from SHKP	17(c)	6,000	24,000	6,000	24,000
		8,344	28,327	6,058	25,045
		10,874	31,382	6,058	25,045

17(a) TRADE RECEIVABLES

The Group provides term credit to customers in accordance with the Group's established credit policies of 30 days (2001: 30 days). The ageing analysis of trade receivables is as follows:

	2002	2001
	HK\$'000	HK\$'000
Within 1 month	66	646
1 - 2 months	45	279
2 - 3 months	26	383
3 - 6 months	31	2,162
6 - 12 months	700	5,435
Over 1 year	10,792	2,686
	11,660	11,591
Less: Provision for doubtful trade receivables	(9,130)	(8,536)
	2,530	3,055

17(b) DUE FROM A RELATED COMPANY

It represented amount due from GenePro Laboratory Limited, a company in which Dr. Wan Kwong Kee is a director and shareholder. The amount due was unsecured, interest-free and was fully repaid during the year. The maximum amount outstanding during the year was HK\$400,000 (2001: HK\$1,478,000).

Notes to the Financial Statements

Year ended 31 December 2002

17. TRADE AND OTHER RECEIVABLES (Continued)

17(c) DUE FROM SHKP

The amount due is unsecured, interest-bearing and without pre-determined repayment terms.

In 2000, the Group disposed of nine subsidiaries (all being property holding companies) to SHKP. SHKP is a company incorporated in Hong Kong and listed on The Stock Exchange of Hong Kong Limited.

The Group's bank borrowings amounting to approximately HK\$65,211,000 as at the date of disposal of the subsidiaries (the "Relevant Bank Borrowings") were secured by mortgages over the properties held by five out of the nine subsidiaries (the "Mortgaged Properties"). These bank borrowings were not transferred to SHKP pursuant to the disposal.

On 15 June 2001, the Group and SHKP signed a Deed of Confirmation whereby SHKP agreed to assume the obligations and liabilities in respect of the Relevant Bank Borrowings by creating an amount of approximately HK\$65,211,000 due to the Company. On 1 August 2001, approximately HK\$22,811,000 of the Relevant Bank Borrowings were formally transferred to SHKP through disposal at net book value of Sheen Win Investment Limited, the subsidiary carrying such loans, to SHKP. Amounts equal to the interest accrued as from date of disposal of the subsidiaries on the Relevant Bank Borrowings have also been charged to the account with SHKP. Accrued interest chargeable to SHKP for the year pursuant to the Deed of Confirmation amounted to approximately, HK\$2,343,000. As it is not certain on whether this amount can be recoverable, the accrued interest has not been recognised as an income for the year.

During the year, net proceeds from disposal of certain Mortgaged Properties amounting to approximately HK\$14,786,000 (2001: HK\$Nil) was used to reduce the amount of the Relevant Bank Borrowings. The amount due from SHKP has also been reduced by the same amount.

The Relevant Bank Borrowings which amounted to approximately HK\$31,232,000 (2001: HK\$46,018,000) as at 31 December 2002 were secured by certain properties held by a subsidiary of SHKP.

18. BORROWINGS

	The Group		The Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings (note 18(a))				
Bank overdrafts				
– secured	40,846	45,646	–	–
– unsecured	44,652	54,571	39,786	54,571
Trust receipts bank loans, secured	20,485	26,406	–	–
Other bank borrowings				
– secured	35,979	177,938	–	–
– unsecured	57,355	11,911	–	–
Other borrowings (note 18(b))	6,124	6,392	6,124	6,392
	205,441	322,864	45,910	60,963

Notes to the Financial Statements

Year ended 31 December 2002

18. BORROWINGS (Continued)

18(a) BANK BORROWINGS

Owing to the liquidity situation as described in note 2, the Group was unable to repay the principal of its bank borrowings when they fell due. As a result, the entire amount of the bank borrowings became repayable on demand and have been classified as current liabilities in the financial statements.

Meanwhile, the banks charged daily overdue interest at 0.125% to 6.125% per annum over the original rates which ranged from Hong Kong prime lending rate plus 1% to 3.5% per annum. During the year, the Group has commenced discussion with the banks for restructuring the repayment of the borrowings. A preliminary proposal has been submitted to the banks and the Group is still in negotiation with the banks for the finalisation of a restructuring scheme.

18(b) OTHER BORROWINGS

Included in other borrowings was an amount of approximately HK\$1,124,000 (2001: HK\$1,392,000) which represented advances from securities brokers. These advances bore interest at 14% per annum (2001: ranging from 14% to 21% per annum) and were secured by the Group's other investments with a net book value of approximately HK\$330,000 (2001: HK\$4,253,000).

19. TRADE AND OTHER PAYABLES

	Note	The Group		The Company	
		2002	2001	2002	2001
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables	19(a)	6,096	8,909	-	-
Other payables					
Accrued charges and other creditors		15,427	12,790	11,122	6,009
Accrued bank interest expenses		66,336	42,159	7,858	4,464
Convertible note deposit received	19(b)	7,200	7,200	7,200	7,200
Due to subsidiaries	19(c)	-	-	6,999	6,999
Due to directors	19(d)	1,986	1,654	748	1,654
Due to a former related company	19(e)	1,546	1,546	1,546	1,546
Due to a subsidiary of SHKP		19,702	19,702	-	-
		112,197	85,051	35,473	27,872
		118,293	93,960	35,473	27,872

Notes to the Financial Statements

Year ended 31 December 2002

19. TRADE AND OTHER PAYABLES (Continued)

19(a) TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	The Group	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	71	398
1 – 2 months	76	285
2 – 3 months	58	378
3 – 6 months	126	821
6 – 12 months	186	1,141
Over 1 year	5,579	5,886
	6,096	8,909

19(b) CONVERTIBLE NOTE DEPOSIT RECEIVED

On 15 May 2001, the Company entered into an agreement (the "Agreement") with an independent third party (the "Purchaser") under which the Company would issue convertible note of HK\$80,000,000 to the Purchaser on or before 30 June 2001. Such convertible note was unsecured, bore interest at 3% per annum and convertible (at the discretion of the Company) into ordinary shares of the Company at conversion price of HK\$0.22 per share.

The completion date of the Agreement was subsequently extended to 31 July 2001 and later to 18 September 2001 by mutual agreement. On 18 September 2001, the Company and the Purchaser entered into a supplemental agreement to amend certain terms of the convertible note. Under the supplemental agreement, the principal amount of the convertible note was increased from HK\$80,000,000 to HK\$100,000,000 and would be issued in three tranches. Deposits totalling HK\$7,200,000 were received in 2001. Assuming the first tranche to be converted at HK\$0.22 per share and the second and third tranches to be converted at HK\$0.20 per share, the Company would be required to issue 486,363,636 shares to the Purchaser. On 31 December 2001, the Purchaser informed the Company in writing that it would not proceed with the completion of the supplemental agreement in relation to the issue of the convertible notes on the ground that the event stated in note 20 would have triggered an event of default. The Directors are of the view that the Purchaser's reason for not completing the supplemental agreement is without merit. The Company is considering its legal position and may take appropriate actions where necessary.

19(c) DUE TO SUBSIDIARIES

The amounts due are unsecured, interest-free and have no fixed repayment terms.

Notes to the Financial Statements

Year ended 31 December 2002

19. TRADE AND OTHER PAYABLES (Continued)

19(d) DUE TO DIRECTORS

The amounts due are unsecured, interest-free and have no fixed repayment terms.

Details of amounts due to directors are as follows:

Name of director	The Group		The Company	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Wan Kwong Kee	1,558	320	320	320
Chan Peng Kuan	428	1,334	428	1,334
	1,986	1,654	748	1,654

During the year, a cash advance of approximately HK\$1,238,000 was received from Dr. Wan Kwong Kee to finance the laboratory testing operation.

19(e) DUE TO A FORMER RELATED COMPANY

The amount due is unsecured, interest-free and has no fixed repayment terms.

20. PROVISIONS

	The Group			The Company		
	Provision under corporate guarantees	Other provisions	Total	Provision under corporate guarantee	Other provisions	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At beginning of year	30,500	23,433	53,933	30,500	13,000	43,500
Additional provision	77,850	5,850	83,700	77,850	5,850	83,700
At balance sheet date	108,350	29,283	137,633	108,350	18,850	127,200

As at 31 December 2002, there were corporate guarantees given by the Company to banks in respect of banking facilities extended to certain subsidiaries of SHKP amounting to approximately HK\$176,538,000 (2001: HK\$176,538,000). These banking facilities were secured by certain investment properties owned by the subsidiaries of SHKP.

Notes to the Financial Statements

Year ended 31 December 2002

20. PROVISIONS (Continued)

In August 2001, one of the banks filed a writ against a subsidiary of SHKP and named the Company as the second defendant, demanding repayment of the bank loans of approximately HK\$45,000,000. Judgement in favour of the bank was granted on 11 December 2001. In 2002, the Company successfully obtained a judgement from the court against SHKP for any damages arising from the claim from the bank.

On prudence grounds, the Company provided for the shortfall between the applicable realisable value of the investment properties estimated by professional valuers and the estimated unsettled bank loans at the balance sheet date. The provision of HK\$77,850,000 (2001: HK\$30,500,000) represented the increase in the shortfall that arose during the year ended 31 December 2002 based on the estimated restricted realisation prices at 31 December 2002 of the SHKP properties determined by RHL Appraisal Limited, independent professional valuers.

Other provisions comprise principally provisions in respect of legal claims. The directors consider that disclosure of further details of these claims would seriously prejudice the Company's negotiation position and accordingly further information on the nature of the obligations has not been provided.

21. DEFERRED TAXATION

At the balance sheet date, the major components of the deferred taxation liabilities provided are as follows:

	Provided	
	2002	2001
	HK\$'000	HK\$'000
Excess of tax allowances over depreciation	-	806

Deferred tax assets totalling approximately HK\$35,068,000 (2001: HK\$34,131,000) in respect of tax losses of the Group were not recognised as the tax benefits are not expected to crystallise in the foreseeable future.

Notes to the Financial Statements

Year ended 31 December 2002

22. ISSUED CAPITAL

	2002		2001	
	No. of shares '000	Nominal value HK\$'000	No. of shares '000	Nominal value HK\$'000
Authorised:				
At beginning of year, at HK\$0.2 each	10,000,000	2,000,000	10,000,000	2,000,000
Reduction of capital	-	(1,990,000)	-	-
Increase in authorised capital	1,990,000,000	1,990,000	-	-
Consolidation of shares	(1,900,000,000)	-	-	-
At balance sheet date, at HK\$0.02 (2001: HK\$0.2) each	100,000,000	2,000,000	10,000,000	2,000,000
Issued and fully paid:				
At beginning of year, at HK\$0.2 each	6,201,427	1,240,285	6,201,427	1,240,285
Issued upon exercise of employee share options	-	-	-	-
Reduction of capital	-	(1,234,084)	-	-
Consolidation of shares	(5,891,356)	-	-	-
At balance sheet date, at HK\$0.02 (2001: HK\$0.2) each	310,071	6,201	6,201,427	1,240,285

- (a) On 16 September 2002, the Company issued and allotted 15 shares of HK\$0.20 each in the Company for cash of HK\$0.206 per share as a result of the exercise of share options. The shares issued rank pari passu with the then existing shares in issue in all respects.

Notes to the Financial Statements

Year ended 31 December 2002

22. ISSUED CAPITAL (Continued)

- (b) During the year, the Company underwent a capital reorganisation (the "Reorganisation"). Details of the Reorganisation are set out in the circular dated 1 August 2002 issued by the Company.

At the extraordinary general meeting of the Company held on 26 August 2002, the special and ordinary resolutions approving the Reorganisation were passed. The High Court of the Hong Kong Special Administrative Region approved the Reorganisation on 15 October 2002 and upon registration of the required documents with the Registrar of Companies on 18 October 2002, the following capital reorganisation took effect as follows:

- (i) The authorised share capital of the Company was reduced from HK\$2,000,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.20 each to HK\$10,000,000 divided into 10,000,000,000 shares of HK\$0.001 each. The issued share capital of the Company was also reduced by cancelling paid up capital to the extent of HK\$0.199 per ordinary share upon each of the 6,201,426,940 ordinary shares in issue ("Capital Reduction");
- (ii) The authorised share capital of the Company was then increased to HK\$2,000,000,000 by the creation of an additional 1,990,000,000,000 shares of HK\$0.001 each; and
- (iii) Following the Capital Reduction and the increase in authorised share capital of the Company, every 20 ordinary shares of HK\$0.001 each in the issued and unissued share capital of the Company were consolidated into one ordinary share of HK\$0.02 each. As such, the number of share in authorised capital and issued capital was reduced from 2,000,000,000,000 to 100,000,000,000 and 6,201,426,940 to 310,071,347 respectively.

Notes to the Financial Statements

Year ended 31 December 2002

23. RESERVES

	Share premium	Capital reserve	General reserve	Special capital reserve	Accum- ulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group						
At 1 January 2001	475,508	3,571	200	-	(1,687,114)	(1,207,835)
Loss for the year	-	-	-	-	(298,211)	(298,211)
At 31 December 2001	475,508	3,571	200	-	(1,985,325)	(1,506,046)
Premium arising from issue of shares upon exercise of employee share options	-	-	-	-	-	-
Reduction of capital	(475,508)	-	-	-	1,709,592	1,234,084
Transfer as required under the Order on Petition	-	-	-	18	(18)	-
Loss for the year	-	-	-	-	(139,393)	(139,393)
At 31 December 2002	-	3,571	200	18	(415,144)	(411,355)
Attributable to:						
The Company and subsidiaries	-	3,571	200	18	(415,160)	(411,371)
An associate	-	-	-	-	16	16
	-	3,571	200	18	(415,144)	(411,355)

Notes to the Financial Statements

Year ended 31 December 2002

23. RESERVES (Continued)

	Share premium	General reserve	Special capital reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Company					
At 1 January 2001	475,508	200	-	(1,683,993)	(1,208,285)
Loss for the year	-	-	-	(120,679)	(120,679)
At 31 December 2001	475,508	200	-	(1,804,672)	(1,328,964)
Premium arising from issue of shares upon exercise of employee share options	-	-	-	-	-
Reduction of capital	(475,508)	-	-	1,709,592	1,234,084
Transfer as required under the Order on Petition	-	-	18	(18)	-
Loss for the year	-	-	-	(109,602)	(109,602)
At 31 December 2002	-	200	18	(204,700)	(204,482)

- (a) As part of the Reorganisation, an Order on Petition dated 15 October 2002 (the "Order") was issued by the High Court of the Hong Kong Special Administrative Region in connection with the reduction of the capital of the Company from HK\$2,000,000,000 divided into 10,000,000,000 ordinary shares of HK\$0.20 each (of which approximately 6,201,427,000 ordinary shares had been issued and were fully paid) to HK\$10,000,000 divided into 10,000,000,000 shares of HK\$0.001 each and the utilisation of the share premium account of the Company, a total of approximately HK\$1,709,592,000 was applied to reduce an equivalent amount of the accumulated losses of the Company as at 31 December 2001.

Notes to the Financial Statements

Year ended 31 December 2002

23. RESERVES (Continued)

- (b) Pursuant to the undertakings given to the Court, any future recoveries by the Company in respect of certain provision for diminution in value beyond their written down value in the Company's audited accounts for the period ended 31 December 2001 up to an overall aggregate amount of approximately HK\$990,320,000 will be credited to a special capital reserve. So long as there remains outstanding any debt of or claim against the Company which, if the date on which the reduction of capital and cancellation of the share premium account became effective (the "Effective date") were the date of the commencement of the winding up of the Company would have been admissible to proof in such winding up and the persons entitled to the benefit of such debts or claims shall not have agreed otherwise, such reserve shall not be treated as realised profits and shall, for so long as the Company shall remain a listed company, be treated as an undistributable reserve of the Company for the purposes of Section 79C of the Companies Ordinance (Cap. 32) or any statutory re-enactment or modification thereof provided that:
- (i) The Company shall be at liberty to apply the said special capital reserve for the same purposes as a share premium account may be applied;
 - (ii) The overall aggregate limit of special capital reserve of approximately HK\$990,320,000 may be reduced by the amount of any increase, after the Effective Date, in the paid up share capital or the amount of the share premium account of the Company as the result of the issue of shares for new consideration or the capitalisation of distributable profits;
 - (iii) The overall aggregate limit of special capital reserve of approximately HK\$990,320,000 may be reduced upon the realisation, after the Effective Date, of any of the assets identified in the Court Order by the amount of the total provision made in relation to each such asset as at 31 December 2001 less such amount (if any) as is credited to the said special capital reserve as a result of such realisation; and
 - (iv) When the credit amount of the special capital reserve exceeds the overall aggregate limit thereof after any reduction of such overall aggregate limit pursuant to provisos (ii) and/or (iii) above, the Company shall be at liberty to transfer the amount of any such excess to the general reserves of the Company and the same shall become available for distribution.
- (c) Up to 31 December 2002, the Company credited approximately HK\$18,000 to the special capital reserve, thus resulting in a reduction of maximum amount to be credited to the special capital reserve to approximately HK\$990,302,000.
- (d) The Company did not have any reserves available for distribution to shareholders as at 31 December 2002 (2001: Nil).

Notes to the Financial Statements

Year ended 31 December 2002

24. EMPLOYEE SHARE OPTIONS

At 31 May 1997, the Company established a share option scheme, under which it may grant options to executive directors and other employees of the Group to subscribe for shares in the Company, subject to a maximum of 10% of the issued share capital of the Company from time to time excluding for this purpose shares issued on exercise of options. The subscription price is determined by the Company's board of directors, and will not be less than the higher of the nominal value of the shares and 80% of the average of the closing prices of the shares quoted on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of granting of the options. After the Reorganisation as mentioned in note 22(b), the options are exercisable at HK\$4.12 per share (2001: HK\$0.206 per share). The options were granted on 5 October 2000 and expire on 4 October 2003.

Movements in employee share options were as follows:

	Number of employee share options outstanding						
	At 1 January 2001	Lapsed during 2001	At 31 December 2001	Exercise during 2002	Lapsed during 2002	Consolidation of shares	At 31 December 2002
	'000	'000	'000	'000	'000	'000	'000
Name of grantee							
Chan Peng Kuan	10,000	-	10,000	-	-	9,500	500
Wan Kwong Kee	10,000	-	10,000	-	-	9,500	500
Other employees	21,000	9,000	12,000	-	5,000	6,650	350
				(note b)	(note c)		
	41,000	9,000	32,000	-	5,000	25,650	1,350

- (a) No options were vested for the year ended 31 December 2001 and 2002.
- (b) The Group received proceeds of HK\$3.09 in respect of options exercised during the year. HK\$3 was credited to share capital and HK\$0.09 was credited to share premium. The options were exercised on 16 September 2002 when the applicable market price of the shares was HK\$0.01 per share.
- (c) An employee resigned during the year and the options granted to him lapsed.

Notes to the Financial Statements

Year ended 31 December 2002

25. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

Cash generated from (used in) operations

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss from ordinary activities before taxation	(140,640)	(303,249)
Interest income	(63)	(5,013)
Interest expense	24,875	37,518
Depreciation and amortisation	1,915	4,188
Share of results of an associate	(16)	-
Net gain on disposal of investment properties	(10,306)	-
(Gain) Loss on disposal of property, plant and equipment	(1,526)	1,788
Holding losses on other investments	3,077	1,952
Loss (Profit) on disposal of other investments	566	(627)
Impairment loss on interest in an associate	7,598	-
Impairment loss on property, plant and equipment	1,994	-
Net gain on disposal of a subsidiary	-	(43)
Profit on disposal of discontinuing operations	-	(4,340)
Recovery of loss on disposal of subsidiaries	-	(65,211)
Impairment loss on goodwill	-	4,000
Impairment loss on an intangible asset	-	28,000
Pre-operating expenses incurred by an associate	3,476	1,426
Net deficit on revaluation of investment properties	1,400	183,842
Net deficit on revaluation of land and buildings	7,438	14,040
Net provision for doubtful trade and loan receivables	3,872	32,307
Provisions	83,700	49,933
Changes in working capital:		
Trade and other receivables	16,636	28,594
Trade and other payables	156	(19,797)
Due to an associate	8	-
Cash generated from (used in) operations	4,160	(10,692)

Notes to the Financial Statements

Year ended 31 December 2002

26. OPERATING LEASE COMMITMENTS

(a) Operating lease rental payable

At the balance sheet date, the Group had future minimum lease payments under non-cancellable operating leases payable as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	808	92
In second to fifth years inclusive	661	-
	1,469	92

(b) Operating lease rental receivable

The Group leases out most of its investment properties under two operating leases with respective lease terms of 2 and 3 years. The future aggregate minimum rental receivable under non-cancellable operating leases are as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	192	6,652
In the second to fifth years inclusive	86	15,544
	278	22,196

27. CONTINGENT LIABILITIES

As at 31 December 2002, the Group had the following contingent liabilities:

- (a) On 5 February 1999, the Company issued a writ against Core Pacific-Yamaichi International (H.K.) Limited ("Core Pacific") for (i) damages for breaches of a loan facility agreement dated 7 August 1998 of approximately HK\$120,000,000 (the "Facility"); (ii) damages for breaches of fiduciary duties as arranger and joint financial advisor under an agreement dated 6 August 1998; and (iii) an indemnity against all loss in relation to a purported supplemental deed dated 13 November 1998 (the "Supplemental Deed"). On 23 March 1999, Core Pacific issued a writ against the Company for interest of approximately HK\$4,000,000 and overdue interest together with other administrative expenses for approximately HK\$1,000,000 under the Facility and the Supplemental Deed. Of the HK\$5,000,000 claim, the Directors consider that the HK\$1,000,000 claim is without merit. The remaining HK\$4,000,000 is still in dispute and has been provided for in the financial statements.

Notes to the Financial Statements

Year ended 31 December 2002

27. CONTINGENT LIABILITIES (Continued)

- (b) Pursuant to the terms of disposal of a former subsidiary to SHKP in 1998, the Company undertook to assume all unprovided tax liabilities of the former subsidiary relating to the period prior to the date of disposal. Potential Hong Kong profits tax liabilities of approximately HK\$3,200,000 relating to certain capital profits claim of the former subsidiary for the years of assessment from 1994/95 to 1996/97 have not been provided. SHKP subsequently disposed of this former subsidiary to another party in 2001. As no claim had been made by SHKP before disposal, in the opinion of the Directors, the Company is no longer liable for any potential tax liability thereon.

28. PENSION SCHEME

The group companies operating in Hong Kong have participated in the defined contribution Mandatory Provident Fund in Hong Kong since 1 December 2000. Monthly contributions are made to the scheme based on 5% of the employees' basic salaries with the maximum amount of contribution by each of the Group and the employees limited to HK\$12,000 per annum. The contributions to the mandatory provident fund scheme vest immediately and fully as employees benefits once the contributions become payable by the Group. There is no forfeited contribution when employees leave the mandatory provident fund scheme. During the year ended 31 December 2002 the Group's (employer's) contributions amounted to approximately HK\$184,000 (2001: HK\$416,000).

29. BANKING FACILITIES AND PLEDGE OF ASSETS

As at the balance sheet date, the Group's banking facilities were secured by:

- (a) The Group's investment properties and land and buildings with a net book value of approximately HK\$28,000,000; and
- (b) Investment properties owned by certain subsidiaries of SHKP.

Due to the liquidity situation as described in note 2, the Group was unable to repay the principal and interest of certain bank borrowings totalling approximately HK\$265,653,000 (2001: HK\$358,631,000) when they fell due. As at the date of approval of these financial statements, the Group is still in discussion with the banks to restructure the repayment terms of the existing borrowings and to continue providing credit facilities to the Group.

Notes to the Financial Statements

Year ended 31 December 2002

30. SEGMENT INFORMATION

The analysis of the principal activities of the operations of the Group during the year is as follows:

(a) By business segments

The Group comprises the following main business segments:

	Property investment	Sand and gravel trading	Trans- portation services	Pharma- ceutical and bio-phar- maceutical	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2001						
Sales revenue from external customers	11,111	9,169	4,364	2	569	25,215
Segment result	(177,924)	(4,881)	(14,622)	(2,459)	(250)	(200,136)
Unallocated operating income and expenses						(65,595)
Loss from operations						(265,731)
Share of results of an associate						-
Finance costs						(37,518)
Loss from ordinary activities before taxation						(303,249)
Taxation						771
Loss from ordinary activities						(302,478)
Minority interests						4,267
Loss for the year						(298,211)
OTHER INFORMATION						
Capital expenditures	-	311	-	-	31	342
Depreciation and amortisation	-	88	1,886	929	1,285	4,188
Impairment losses	-	-	-	5,426	28,000	33,426
Other non-cash expenses other than depreciation and amortisation	183,870	13,031	4,711	-	85,685	287,297

Notes to the Financial Statements

Year ended 31 December 2002

30. SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

	Property investment	Sand and gravel trading	Trans- portation services	Pharma- ceutical and bio-phar- maceutical	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Year ended 31 December 2002						
Sales revenue from external customers	5,304	-	647	834	-	6,785
Segment result	11,528	-	(2,037)	(13,755)	(42)	(4,306)
Unallocated operating income and expenses						(111,475)
Loss from operations						(115,781)
Share of results of an associate						16
Finance costs						(24,875)
Loss from ordinary activities before taxation						(140,640)
Taxation						806
Loss from ordinary activities						(139,834)
Minority interests						441
Loss for the year						(139,393)
OTHER INFORMATION						
Capital expenditures	-	-	-	31	86	117
Depreciation and amortisation	-	-	828	368	719	1,915
Impairment losses	-	-	1,591	11,477	-	13,068
Other non-cash expenses other than depreciation and amortisation	1,400	-	577	37	97,507	99,521
Other non-cash revenue	(10,306)	-	(1,561)	-	-	(11,867)

Notes to the Financial Statements

Year ended 31 December 2002

30. SEGMENT INFORMATION (Continued)

(a) By business segments (Continued)

	Property investment	Sand and gravel trading	Transpor- tation services	Pharma- ceutical and bio-phar- maceutical	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
As at 31 December 2001						
Assets						
Segment assets	98,908	1,353	13,693	24,275	8	138,237
Unallocated assets						68,992
Total assets						<u>207,229</u>
Liabilities						
Segment liabilities	(223,395)	(16,793)	(2,938)	(57)	-	(243,183)
Unallocated liabilities						(228,380)
Total liabilities						<u>(471,563)</u>
As at 31 December 2002						
Assets						
Segment assets	3,626	1,287	7,202	12,834	5	24,954
Unallocated assets						32,245
Total assets						<u>57,199</u>
Liabilities						
Segment liabilities	(129,832)	(16,785)	(896)	(1,534)	(22)	(149,069)
Unallocated liabilities						(312,298)
Total liabilities						<u>(461,367)</u>

Notes to the Financial Statements

Year ended 31 December 2002

30. SEGMENT INFORMATION (Continued)

(b) By geographical segment

No analysis of the Group's geographical segment information on sales revenue and result are presented as all sales revenue and result generated from the business activities were derived from Hong Kong for the year ended 31 December 2001. For the year ended 31 December 2002, other than part of the sales revenue and loss from pharmaceutical and bio-pharmaceutical segment in the PRC which are below 10% of the total sales revenue and loss from ordinary activities respectively, all the revenue and result generated from the business activities were mainly derived from Hong Kong.

Other than the investment in an associate which is located in the PRC, all the segment assets of the Group for both of the years 2001 and 2002 are located in Hong Kong.

31. SUBSEQUENT EVENTS

- (a) Subsequent to the balance sheet date, the properties owned by a subsidiary and taken possession by the creditor bank were disposed of to an independent third party for a cash consideration of approximately HK\$29,000,000. The proceeds would be used to repay the bank borrowings.
- (b) On 29 January 2003, a subsidiary of the Company which ceased operation in 2001 received a court order in respect of creditor winding up and the subsidiary was subsequently taken over by the provisional liquidators.
- (c) On 27 March 2003, the Company entered into an agreement with an independent third party for the disposal of a subsidiary which holds 49% equity interest in an associate, Beijing Radiant Bio-Tech Limited, and the assignment of the shareholder's loan for a total consideration of HK\$12,000,002 payable in cash by 5 instalments. The sale is to be completed on 30 June 2003 or a later date to be agreed by both parties. Out of the total proceeds, HK\$8,000,000 will be received on or before the completion date and the remaining balance will be received within nine months after the completion date.

32. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation as the directors consider that the current year's presentation is more appropriate to reflect the Group's operating results and financial position.

Following the adoption of revised Statement of Standard Accounting Practice 2.115 "Cash Flow Statement", issued by the Hong Kong Society of Accountants, the comparative information regarding the Group's consolidated cash flow statement has been restated to conform to the current year's presentation.