## 23. INVENTORIES

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Merchandise | **5,429** | 1,306 |
| Less: Provision | **(2,123)** | – |
| | **3,306** | 1,306 |

All the inventories are stated at cost.

## 24. TRADE RECEIVABLES

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. An aged analysis of the debtors is as follows:

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Within 3 months | **52** | 950 |
| More than 3 months but less than 6 months | **11** | 4 |
| Over 1 year | **70** | – |
| | **133** | 954 |

## 25. CASH AND CASH EQUIVALENTS AND PLEDGED/RESTRICTED BANK BALANCES

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Total cash and bank balances | **6,422** | 6,442 | **1** | 13 |
| Less: Pledged bank balances | | | | |
| – for short term bank loans (Note 28) | **(67)** | (116) | **–** | – |
| – for securing mortgage loans of certain purchasers of the Group's properties held for sale | **(1,957)** | (2,390) | **–** | – |
| Restricted bank balances for repairs and maintenance of the Group's properties held for sale | **(1,193)** | (236) | **–** | – |
| | **(3,217)** | (2,742) | **–** | – |
| Cash and cash equivalents as at 31 December | **3,205** | 3,700 | **1** | 13 |

## 26. TRADE PAYABLES

An aged analysis of trade payables is as follows:

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Within 3 months | **–** | 832 |
| More than 3 months but less than 6 months | **2,362** | – |
| More than 6 months but less than 1 year | **23** | 3,438 |
| More than 1 year | **49,059** | 53,557 |
| | **51,444** | 57,827 |

## 27. DUE TO DIRECTORS

The amounts due to directors are unsecured, interest free and without pre-determined terms of repayment.

## 28. SHORT-TERM BANK LOANS

| | 2002 HK$'000 | 2001 HK$'000 |
|---|---|---|
| Bank loans, secured | **47,642** | 47,565 |

The bank loans were secured by the following:

(i) Operating rights of the Toll Bridge Operations with net book value of approximately HK$18,959,000 (2001: HK$19,891,000);

(ii) Revenue generated from the Toll Bridge Operations;

(iii) Properties under development with carrying value of approximately HK$24,528,000 (2001: HK$24,489,000); and

(iv) a bank balance of approximately HK$67,000 (2001: HK$116,000).

## 29. DUE TO A MAJOR SHAREHOLDER

| | Group | | Company | |
|---|---|---|---|---|
| | **2002 HK$'000** | 2001 HK$'000 | **2002 HK$'000** | 2001 HK$'000 |
| Loans | **19,012** | – | **10,692** | – |
| Accrued interest | **35** | – | **35** | – |
| Current account | **600** | – | **600** | – |
| | **19,647** | – | **11,327** | – |

The loans are unsecured, bears interest at 5% or prime rate per annum and repayable within one year.

## 30. 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.

## 31. FINANCE LEASE PAYABLE

| | Minimum lease payments | | Present value of minimum lease payments | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Amounts payable under finance leases | | | | |
| Within one year | **385** | 137 | **319** | 121 |
| In the second to fifth years inclusive | **1,008** | 92 | **908** | 88 |
| | **1,393** | 229 | **1,227** | 209 |
| Less: Future finance charges | **(166)** | (20) | | |
| Present value of lease obligations | **1,227** | 209 | | |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | | | **(319)** | (121) |
| Amount due for settlement after 12 months | | | **908** | 88 |

Obligations under finance leases not wholly repayable within five years are repayable in various instalments up to May 2007. Interest is charged on the outstanding balance at 6% to 11% per annum (2001: 11%).

## 32. LONG-TERM BANK LOANS

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Bank loans, secured | | |
| Wholly repayable within five years | **–** | 13,185 |
| Not wholly repayable within five years | **1,254** | 1,385 |
| | **1,254** | 14,570 |
| The maturity of the bank loans are as follows: | | |
| Within one year or on demand | **140** | 131 |
| In the second year | **150** | 13,327 |
| In the third to fifth years, inclusive | **518** | 483 |
| Over five years | **446** | 629 |
| | **1,254** | 14,570 |
| Portion classified under current liabilities | **(140)** | (131) |
| Non-current portion | **1,114** | 14,439 |

As at 31 December 2002, the bank loans were secured by certain of the Group's land and buildings with net book value of HK$1,574,000 (2001: HK$1,606,000).

As at 31 December 2001, the bank loans were also secured by operating rights of the Toll Bridge Operations of HK$19,891,000, properties under development with carrying value of HK$24,489,000 and a bank balance of HK$116,000.

## 33. OTHER SHORT-TERM LOANS

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Unsecured | **8,383** | 24,318 | **552** | 16,500 |
| Secured | **12,931** | 4,729 | **10,000** | – |
| | **21,314** | 29,047 | **10,552** | 16,500 |

The unsecured other loans bear interest at rates ranging from prime rate plus 2% to 7.56% (2001: 7.56% to 24%) per annum and are repayable within one year, except for loans of approximately HK$8,383,000 (2001: HK$9,318,000) which have been overdue at 31 December 2002.

The secured other loans bear interest at rates ranging from 7% to 30% (2001: 7% to 30%) per annum and are repayable within one year, except for a loan of approximately HK$1,431,000 (2001: HK$1,429,000) which has been overdue at 31 December 2002.

These loans were secured by the followings:

(i) certain of the Group's fixed assets with net book value of approximately HK$23,833,000 (2001: HK$29,535,000),

(ii) the Group's entire interest in HLJ Industry, and

(iii) a debenture incorporating first floating charge over the undertaking, property and assets of the Company.

Subsequent to the balance sheet date on 1 April 2003, the debenture was released.

## 34. DEFERRED TAX

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| At 1 January | **–** | 34,091 |
| Release of deferred tax provision relating to properties under development (note 37) | **–** | (34,091) |
| At 31 December | **–** | – |

## 35. SHARE CAPITAL

| | | 2002 | | 2001 | |
|---|---|---|---|---|---|
| | Note | **No. of shares** | **Amounts HK$'000** | No. of shares | Amounts HK$'000 |
| Authorized: | | | | | |
| Ordinary shares of HK$0.1 each | | **4,000,000,000** | **400,000** | 4,000,000,000 | 400,000 |
| Issued and fully paid: | | | | | |
| At 1 January | | **2,189,410,504** | **218,941** | 1,384,460,072 | 138,446 |
| Shares issued for acquisitions of additional shares of an associate | (i) | **231,000,000** | **23,100** | – | – |
| Issue of shares by placements | (ii) | **200,000,000** | **20,000** | – | – |
| Shares issued for acquisitions of associates | | | | | |
| on 17 March 2001 | (iii) | **–** | **–** | 200,000,000 | 20,000 |
| on 21 May 2001 | (iv) | **–** | **–** | 125,000,000 | 12,500 |
| on 1 November 2001 | (v) | **–** | **–** | 479,950,000 | 47,995 |
| Warrants exercised | (vi) | **–** | **–** | 432 | – |
| At 31 December | | **2,620,410,504** | **262,041** | 2,189,410,504 | 218,941 |

## 35. SHARE CAPITAL *(Continued)*

During the year, the Company issued a total of 431,000,000 ordinary shares, the details are as follows:

(i) Pursuant to an agreement dated 4 March 2002 entered into between a wholly-owned subsidiary, namely Fairyoung Net Association Limited and Modern World Enterprise Co., Ltd, the Group acquired additional 1,000 ordinary shares of US$1.00 each in Golden Yield, representing 10% of its entire issued capital. 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. As a result of the transaction, the Group obtained in aggregate 39% of the entire issued share capital of Golden Yield.

(ii) During the period from April to July 2002, an aggregate of 200,000,000 new ordinary shares by way of placing at par value of HK$0.1 each were issued for cash consideration.

In prior year, the Company issued a total of 804,950,432 ordinary shares, the details are as follows:

(iii) 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(b)) 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.

(iv) Pursuant to conditional agreement dated 22 March 2001 entered into between the Group, Mr. Law Siu Kong ("Mr. Law"), Mr. Chan Wing Cheung, Barry ("Mr. Chan"), and Tudor House Properties Limited ("Tudor"), the Group agreed to acquire 1,760, 264 and 176 ordinary shares of US$1.00 each in Lawsons Infotech (note 19(b)) 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.

## 35. SHARE CAPITAL *(Continued)*

(v) 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.

(vi) 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.

**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.

During the year ended 31 December 2001, 432 of these warrants were exercised.

The remaining unexercised warrants lapsed on 31 August 2001.

## 36. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 3 and note 4(t) to the financial statements, the detailed disclosures relating to the Group's share option schemes are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Eligible participants of the Scheme include the Company's directors and other employees of the Group. The Scheme became effective on 28 June 2000 and, unless otherwise cancelled or amended, will remain in force for 3 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. There is no limit on the maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period. No eligible participant shall be granted options exceeds 25% of the total share options permitted to be granted under the scheme.

The offer of a grant of share options may be accepted within 21 days from the date of the offer, with no consideration being payable by the grantee. The vesting period and exercise period of the share options granted would be determined by the directors and the exercise period ends on a date which is not later than ten years from the date of the offer of the share options.

The exercise price of the share options would be determined by the directors, but may not be less than the higher of (i) the nominal value of the shares; and (ii) not less than 80% of the average Stock Exchange closing price of the Company's shares for the five trading days immediately preceding the date of the offer.

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.

## 36. SHARE OPTION SCHEME *(Continued)*

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 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 2002.

## 37. RESERVES

**GROUP**

| | Share premium account HK$'000 | Capital reserve HK$'000 | Capital redemption reserve HK$'000 | Exchange equalisation reserve HK$'000 | Legal reserve (note (a)) HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|---|
| At 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 34) | – | 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 income statement | – | – | – | – | 4 | (4) | – |
| Exchange movement | – | – | – | 2,697 | – | – | 2,697 |
| At 31 December 2001 and 1 January 2002 | 87,660 | 207,194 | 52 | 12,975 | 1,060 | (368,703) | (59,762) |
| Discount on issue of new shares | (9,702) | – | – | – | – | – | (9,702) |
| Net loss for the year | – | – | – | – | – | (98,151) | (98,151) |
| Exchange movement | – | – | – | 248 | – | – | 248 |
| At 31 December 2002 | 77,958 | 207,194 | 52 | 13,223 | 1,060 | (466,854) | (167,367) |

## 37. RESERVES *(Continued)*

**COMPANY**

| | Share premium account HK$'000 | Contributed surplus (note (b)) HK$'000 | Capital redemption reserve HK$'000 | Accumulated losses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| 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 and 1 January 2002 | 87,660 | 337,613 | 52 | (485,587) | (60,262) |
| Discount on issue of new shares | (9,702) | – | – | – | (9,702) |
| Net loss for the year | – | – | – | (97,403) | (97,403) |
| At 31 December 2002 | 77,958 | 337,613 | 52 | (582,990) | (167,367) |

| | Group 2002 HK$'000 | Group 2001 HK$'000 |
|---|---|---|
| Losses accumulated in: | | |
| Company and subsidiaries | **(439,273)** | (341,852) |
| Jointly-controlled entity | **(24,073)** | (24,073) |
| Associates | **(3,508)** | (2,778) |
| | **(466,854)** | (368,703) |

*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 Mainland 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.

## 38. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

**(a) Reconciliation of loss from operating activities to net cash inflow/(outflow) from operating activities:**

| | **2002 HK$'000** | 2001 HK$'000 |
|---|---|---|
| Loss from operating activities | **(82,928)** | (353,220) |
| Interest income | **(34)** | (303) |
| Depreciation | **9,094** | 10,273 |
| Impairment of fixed assets | **–** | 27,386 |
| Loss on disposal of fixed assets, net | **663** | 255 |
| Impairment of properties under development | **13,078** | 74,000 |
| Provision for an amount due from a jointly–controlled entity | **–** | 1,941 |
| Amortisation of goodwill attributable to associates | **3,662** | 5,343 |
| Provision against interests in associates | **–** | 46,612 |
| Provision for an amount due from an associate | **–** | 178 |
| Provision 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 capital reserve | **–** | 26,027 |
| Impairment of long term investments | **–** | 9,683 |
| Provisions against sundry deposits | **9,546** | – |
| Provision for inventories | **2,123** | – |
| Provisions against long term deposits | **–** | 17,692 |
| Provisions for properties held for sale | – | 26,483 |
| Provisions for doubtful debts | **4,842** | 1,165 |
| Provisions against certain payments and receipts, net | **–** | 29,185 |
| Provision for amount due from a former director | **519** | – |
| Provision against a legal claim | **–** | 10,361 |
| Operating loss before working capital changes | **(39,435)** | (63,587) |
| Increase in properties under development | **(21,994)** | (3,523) |
| Increase in long term deposits | **–** | (3,336) |
| Decrease in properties held for sale | **10,070** | 11,663 |
| (Increase)/decrease in inventories | **(4,120)** | 490 |
| (Increase)/decrease in other receivable, deposits and prepayments | **(13,305)** | 4,433 |
| Increase in amount due from a former director | **(519)** | – |
| Increase in other payables and accruals | **47,407** | 25,309 |
| Decrease in amount due to directors | **960** | – |
| Increase in trade receivables | **821** | – |
| Decrease in trade payables | **(6,383)** | – |
| Increase in deposits received | **28,865** | 2,979 |
| Net cash inflow/(outflow) from operating activities | **2,367** | (25,572) |

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

**(b) Major non-cash transactions**

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

On 25 March 2002, 231,000,000 new ordinary shares of HK$0.10 each in the Company were allotted and issued at a fair value of HK$0.058 per share, credited as fully paid, for acquisition of additional 10% interest in an associate.

During the year, the Group entered into finance lease agreements in respect of the acquisition of motor vehicles with a total capital value at the inception of the leases of approximately HK$1,222,000 (2001: HK$Nil).

In prior 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(b)).

(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(b)).

(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.

## 39. CONTINGENT LIABILITIES

(a) Guarantees

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Guarantees given for banking/other loan facilities granted to subsidiaries | **–** | – | **10,759** | 12,546 |
| Guarantees given to banks in respect of mortgage loans made to the purchasers of the Group's properties under development | **61,365** | 61,268 | **–** | – |
| | **61,365** | 61,268 | **10,759** | 12,546 |

(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 approximately HK$6,251,000 (2001: HK$6,241,000).

(c) In addition to the above contingent liabilities, the existing 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 17), a wholly-owned subsidiary of the Group, in relation to a claim of approximately 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 existing 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 existing 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 the 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, Fairyoung 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 2(b)(ii)).

## 39. CONTINGENT LIABILITIES *(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 RMB5 million (approximately HK$4.7 million) is required to be paid by the Group and the purchaser, equally, 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.

## 40. OPERATING LEASE ARRANGEMENTS

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

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

| | **2002**<br>**HK$'000** | 2001<br>HK$'000 |
|---|---|---|
| Within one year | **2,163** | 1,590 |
| In the second to fifth years, inclusive | **586** | 1,158 |
| | **2,749** | 2,748 |

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

## 41. COMMITMENTS

At the balance sheet date, the Group had the following capital commitments not provided for in the financial statements:

| | **2002** | 2001 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Fixed assets and construction in progress: | | |
| Authorised, but not contracted for | **29,871** | 30,002 |
| Properties under development: | | |
| Authorised and contracted for | **77,445** | 22,777 |
| Authorised, but not contracted for | **177,024** | 131,646 |
| | **254,469** | 154,423 |
| Others: | | |
| Authorised and contracted for | **142,811** | 151,118 |
| Total commitments | **427,151** | 335,543 |

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

## 42. RELATED PARTY TRANSACTIONS

During the year, the Group had the following material transactions with related parties:

| | | 2002 HK$'000 | 2001 HK$'000 |
|---|---|---|---|
| (i) | Management fee paid to the Major Shareholder | **600** | – |
| (ii) | Loan interest expenses paid to the Major Shareholder | **35** | – |

(i) On 2 November 2002, the Company entered into an agreement with the Major Shareholder whereby the Major Shareholder shall assist the Company to second staff members to manage and advise on the Company's development. The maximum secondment fee shall be HK$350,000 per month. During the year, a total of HK$600,000 were paid.

(ii) On 1 November 2002, the Company issued a promissory note to the Major Shareholder for HK$980,000. The note is unsecured, bearing interest at prime rate in Hong Kong and without fixed repayment terms.

On 18 November 2002, the Company entered into a loan agreement with the Major Shareholder. Under the terms of the loan agreement, the Major Shareholder shall grant the Company loan facilities up to a maximum of HK$9,000,000 for a period of 12 months. The loans are unsecured and bearing interest at 5% per annum.

On 6 December 2002, the Company entered into a supplemental loan agreement with the Major Shareholder. Under the terms of the supplemental loan agreement, the Major Shareholder shall grant the Company loan facilities up to a maximum of HK$25,020,000 for a period of 12 months. The loans are unsecured and bearing interest at 5% per annum.

As at 31 December 2002, total loans of approximately HK$19,012,000 (note (29)) were drawn down under the loan agreements.

## 43. POST BALANCE SHEET EVENTS

In addition to those post balance sheet events disclosed in notes 2 and 7 to the financial statements, subsequent to the balance sheet date, the following significant events of the Group took place:

(a) On 12 December 2002, the Company entered into 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"), the Group completed the Disposal Transaction on 6 March 2003. The details of the Disposal are also set out in note 7(a) to the financial statements.

A summary of the condensed pro forma adjusted consolidated net assets as at 31 December 2002, 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 | 71,395 | 22,479 | | 48,916 |
| Properties under development | 227,360 | 49,983 | | 177,377 |
| Interest in associates | 71,169 | 2,334 | | 68,835 |
| Other non-current assets | 3,150 | – | | 3,150 |
| | 373,074 | 74,796 | | 298,278 |
| CURRENT ASSETS | 63,875 | 63,601 | | 274 |
| CURRENT LIABILITIES | (339,538) | (156,310) | | (183,228) |
| NET CURRENT LIABILITIES | (275,663) | (92,709) | | (182,954) |
| NON-CURRENT LIABILITIES | (2,022) | (1,107) | | (915) |
| MINORITY INTERESTS | (715) | (586) | | (129) |
| | 94,674 | (19,606) | – | 114,280 |

## 43. POST BALANCE SHEET EVENTS *(Continued)*

(b) On 9 May 2003, a wholly owned subsidiary of the Company entered into three identical agreements to purchase the entire issued share capital of Easy Carry Trading Limited ("Easy Carry"), Turbo Jet Development Limited ("Turbo Jet") and Profit Guard International Limited ("Profit Guard") for considerations of HK$11,700,000, HK$15,600,000 and HK$11,700,000 respectively, which equal to a total consideration of HK$39,000,000. Further details of this transaction were set out in a circular of the Company dated 27 May 2003. On 8 June 2003, the consideration was satisfied by the allotment and issue of 390,000,000 new ordinary shares of the Company at par value of HK$0.10 each.

Easy Carry, Turbo Jet and Profit Guard are investment holding companies. The sole assets of Easy Carry, Turbo Jet and Profit Guard are investment holding of 30%, 40%, and 30% respectively of the issued share capital (together with entire issued share capital) of 南漳水鏡湖度假村酒店有限責任公司 ("Nan Zhang"), a PRC wholly foreign owned enterprise located in the Hubei Province, Mainland China. Nan Zhang's principal business activity is the operation of resort hotel and its related facilities in the city of Xiang Fan, Hubei Province, Mainland China.

## 44. COMPARATIVE FIGURES

As further explained in note 3 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

## 1. ORGANISATION AND PRINCIPAL ACTIVITIES

Dynamic Global Holdings Limited (the "Company") was incorporated in Bermuda on 10 April 1989 as an exempted company with limited liabilities under the Companies Act 1981 of Bermuda. The Company's shares are listed on The Stock Exchange of Hong Kong Limited.

The Company is an investment holding company. Its subsidiaries were principally engaged in property development, operation of a toll bridge (the "Toll Bridge Operations"), operation of a skiing resort (the "Skiing Operations"), general trading (the "General Trading Operations") and investment in high technology projects.

On 12 December 2002, the Company entered in a share transfer agreement (the "Transfer Agreement") to dispose of certain subsidiaries in the mainland of the People's Republic of China ("Mainland China") engaged in the Toll Bridge Operations and the General Trading Operations (the "Disposal"). The Disposal was completed on 6 March 2003. Accordingly, these operations are disclosed as "Discontinuing operations" and additional disclosures pursuant to SSAP 33 are set out in notes 5 and 7(a) to the financial statements.

On 4 September 2002, the Group entered into a conditional agreement with an independent third party purchaser for the disposal a wholly-owned subsidiary, Fairyoung Heilongjiang Industry Co., Ltd ("HLJ Industry") engaged in the Skiing Operations for a consideration of RMB56 million (approximately HK$52.7 million) (the "Disposal"). However, the terms of conditions specified under the Disposal agreement have not been fulfilled by both parties thereto to date and the Disposal has not been completed. Accordingly, the Skiing Operations are disclosed as "Discontinuing operations" and additional disclosures pursuant to SSAP 33 are set out in notes 5 and 7(b) to the financial statements.

## 2. BASIS OF PREPARATION

### (a) Going Concern

The Group sustained a consolidated net loss from ordinary activities attributable to shareholders of approximately HK$98 million for the year ended 31 December 2002. At 31 December 2002, the Group had consolidated net current liabilities of approximately HK$275.7 million and total borrowings of approximately HK$96 million, of which approximately HK$9.8 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 business operations. The Group also had difficulty in repaying short term loans and other indebtedness on time. As a result, certain creditors of the Group took legal action against the Group demanding for repayment of amounts due to them. All such legal claims were properly accrued for as at 31 December 2002.

## 2. BASIS OF PREPARATION *(Continued)*

### (a) Going Concern *(Continued)*

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 issued by 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 debt burden borne by the Group. As further detailed in note 43(a) to the financial statements, the net current liabilities reduced from approximately HK$275.7 million to HK$183 million subsequent to the Disposal Transaction.

During the year ended 31 December 2002 and in the course of business, a third party unrelated to the Company acquired an aggregate of approximately 23% of the issued share capital of the Company for a total consideration of approximately HK$23.5 million; and become a major shareholder of the Company (the "Major Shareholder").

During the year ended 31 December 2002, the Major Shareholder of the Company granted certain unsecured short-term loan facilities to the Group to the extent of HK$35 million (the "Shareholder's Loan Facilities"). As at 31 December 2002, approximately HK$19 million had been utilised by the Group for repayment of its outstanding indebtedness and for working capital.

In view of the liquidity problems faced by the Group, in addition to the Disposal Transaction and arrangement of the Shareholder's Loan Facilities, the directors have adopted the following measures with a view to improve the Group's overall financial position, immediate liquidity and cash flow position and also to sustain the Group's existence as a going concern basis:

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

(ii) 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

(iii) The directors have been implementing cost control measures to reduce various general and administrative and other operating expenses.

## 2. BASIS OF PREPARATION *(Continued)*

### (a) Going Concern *(Continued)*

In light of the measures implemented to date, the directors are satisfied that 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 immediate 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.

### (b) Incomplete 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 high turnover of management and staff within the Group during the year, certain underlying books and records of the Group were either lost, or could not be located, or 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, specifically:

**(i) Provisions against sundry deposits**

On 30 August 2002, the Company entered into a letter of intent to acquire a company incorporated in Malaysia for HK$12,000,000 (the "Proposed Acquisition"). Deposits of HK$5,000,000 were made pursuant to the letter of intent and recorded as sundry deposits by the Group during the year. Up to the date of approval of these financial statements, the Proposed Acquisition did not proceed and the said deposits were not refunded. The existing directors have been unable to locate sufficient documentary records or other supporting evidence to confirm the rationale behind advancing the deposits or whether the said deposits can be recoverable in full. As such, the deposit has been written off as other operating expenses during the year.

On 23 September 2002, the Company entered into a letter of intent to acquire 6% interest in a company incorporated in British Virgin Islands for HK$20,000,000 (the "Second Proposed Acquisition"). Deposits of approximately HK$4,546,000 were made pursuant to the letter of intent and recorded as sundry deposits by the Group during the year. Up to the date of approval of these financial statements, the Second Proposed Acquisition did not proceed and the said deposits were not refunded. The existing directors have been unable to locate sufficient documentary records or other supporting evidence to confirm the rationale behind advancing the deposits or whether the said deposits can be recoverable in full. As such, the deposit has been written off as other operating expenses during the year.

## 2. BASIS OF PREPARATION *(Continued)*

### (b) Incomplete Books and Records *(Continued)*

**(ii) Financial information of Fairyoung 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 39(c) to the financial statements). In addition, all the employees of HLJ Industry left the Group in early 2002.

The existing directors are unable to obtain the financial statements of HLJ Industry for the year ended 31 December 2002. Therefore, the amounts recorded in the consolidated financial statements of the Group in respect of HLJ Industry were prepared based on the financial information of HLJ Industry as at 31 December 2001, after making provision for depreciation of approximately HK$6,948,000 for the year. The financial information of HLJ Industry used for the preparation of consolidated financial statements of the Group is as follows:

| | **2002** | 2001 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| **Financial position:** | | |
| Fixed assets | **46,629** | 53,491 |
| Cash and cash equivalents | **107** | 107 |
| Debtors, deposits and prepayments | **88** | 88 |
| Amounts due to group companies | **(6,857)** | (6,846) |
| Other loans | **(1,431)** | (1,428) |
| Creditors, accruals and other payables | **(18,644)** | (18,616) |
| Net asset value as at 31 December | **19,892** | 26,796 |
| **Operating results:** | | |
| Turnover | **–** | 92 |
| Cost of sales | **–** | (6,999) |
| Other revenue and gains | **–** | 15 |
| Selling and distribution costs | **–** | (143) |
| Administrative expenses | **(6,948)** | (1,294) |
| Net loss for the year | **(6,948)** | (8,329) |

## 2. BASIS OF PREPARATION *(Continued)*

### (b) Incomplete Books and Records *(Continued)*

#### (ii) Financial information of Fairyoung Heilongjiang Industry Co., Ltd. ("HLJ Industry") *(continued)*

*Note:* The financial information for the year ended 31 December 2001 were prepared based on the financial statements for the six months ended 30 June 2001, as adjusted based on the financial information that the existing directors were able to obtain.

#### (iii) Completeness of books and records

Except for Mr. Shi Neng He, Mr. Chen Jung Hsin, Mr. Chang Xi Min and Ms. Wong Lin Chooi, all the existing directors were appointed since October 2002. 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 representation as to the accuracy and completeness of the books and records of the Group for the year ended 31 December 2002 could be made by the existing directors although due care has been taken in the preparing financial statements to mitigate the effects of the incomplete records. The existing directors are unable to confirm that all transactions entered into in the name of the Company and its subsidiaries for the year ended 31 December 2002 have been included in the financial statements. Notwithstanding the foregoing, the existing 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.

### (c) Group Accounts

The Group accounts include the accounts of the Company and its subsidiaries made up to 31 December. The results of the subsidiaries acquired or 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 intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on the 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 was not 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.

## 3. IMPACT ON NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAP")

In the current year, the Group has adopted, for the first time, the following new and revised SSAPs which are effective for accounting periods commencing on or after 1 January 2002:

| | | |
|---|---|---|
| SSAP 1 (Revised) | : | "Presentation of financial statements" |
| SSAP 11 (Revised) | : | "Foreign currency translation" |
| SSAP 15 (Revised) | : | "Cash flow statements" |
| SSAP 33 | : | "Discontinuing operations" |
| SSAP 34 (Revised) | : | "Employee benefits" |

These SSAPs prescribe new accounting measurement and disclosure practice. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

**SSAP 1 (Revised)** prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 27 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

**SSAP 11 (Revised)** prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the income statement of subsidiaries and associates operating in Mainland China and overseas are now translated to Hong Kong dollars at the weighted average exchange rate for the year whereas previously they were translated at the exchange rate at the balance sheet date. The effect on the results of the current year is not significant. Further details of this change are included in the accounting policy for "Translation of foreign currencies" in note 4 to the financial statements.

**SSAP 15 (Revised)** prescribes the revised format for the cash flow statement. The principal impact of the revision of the SSAP is that the consolidated cash flow statement now presents cash flow under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. The presentation of 2001 comparative cash flow statement has been changed to accord with the new layout. In addition, cash flows from subsidiaries and associates operating in Mainland China and overseas are now translated to Hong Kong dollars at the weighted average exchange rates for the year whereas previously they were translated at the exchange rate at the balance sheet date. Further details of these changes are included in the accounting policy for "Translation of foreign currencies" in note 4 to the financial statements.

## 3. IMPACT ON NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAP") *(Continued)*

**SSAP 33** replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. The SSAP defines discontinuing operations and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group's discontinuing operations are now included in note 7 to the financial statements.

**SSAP 34 (Revised)** prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has had no material effect on the financial statements. Additional disclosures are now required in respect of the Group's share option schemes, as detailed in note 36 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited (the "Stock Exchange") disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the adoption of the SSAP 34 (Revised).

## 4. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants ("HKSA"), the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements are prepared under the historical cost convention. These financial statements also comply with the applicable disclosure provisions 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.

### (a) 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:

(i) 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" below), investments and goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains no managerial involvement to the degree usually associated with ownership, and as effective control over the properties, investments and goods sold;

(ii) Toll bridge income, net of revenue tax, on a receipt basis;

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (a) Revenue Recognition *(Continued)*

(iii) Revenue from service rendered is recognised when the outcome of a transaction involving the rendering of services can be estimated reliably by reference to the stage of completion of transaction at the balance sheet date; and

(iv) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

### (b) Borrowing Costs

Borrowing costs are expensed in the income statement in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

### (c) Goodwill

Goodwill arising from 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 from acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years. 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 income statement when the future losses and expenses are recognised.

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (c) Goodwill *(Continued)*

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 income statement 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 income statement) 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 income statement 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.

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.

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (d) Fixed Assets

**(i) Fixed assets**

Fixed assets, other than construction in progress, are stated at cost less accumulated depreciation and 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 income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase of 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 income statement, is the difference between the net sales proceeds and the carrying amount of the relevant asset.

**(ii) 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.

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (e) 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.

### (f) 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.

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (g) Assets Under Leases

Leases that substantially transfer to the Group all the risks and benefits of ownership of assets are classified as finance leases. Leases where substantially all the risks and benefits of ownership of assets remain with the leasing company are classified as operating leases.

**(i) Finance leases**

At the inception of a finance lease, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payments to the lessor are treated as consisting of capital and interest elements, Finance charges are debited to the income statement over the periods of the leases so as to produce an approximately constant periodic rate of charge on the remaining balances of the obligation for each accounting period.

Assets held under finance leases are depreciated over the shorter of the lease terms and their estimated useful lives on the same basis as owned assets. Impairment losses are accounted for in accordance with the accounting policy as set out in note 4(h) to the financial statements.

**(ii) Operating leases**

Rentals payables under operating leases are accounted for in the income statement on a straight-line basis over the periods of the respective lease.

### (h) 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 impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

**(i) Calculation of recoverable amount**

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (h) Impairment of Assets *(Continued)*

**(ii) Reversal of impairment losses**

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversal of impairment losses is credited to the income statement in the year in which the reversal is recognised.

### (i) Subsidiaries

A subsidiary is a company in which the Group or the Company, directly or indirectly, controls more than half of its voting power or issued share capital or controls the composition of its board of directors. Subsidiaries are considered to be controlled if the Group or the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in the consolidated income statement as they arise.

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (j) Joint Ventures

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.

**(i) 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 income statement 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.

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (j) Joint Ventures *(Continued)*

#### (ii) 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 income statement when it is probable that economic benefits associated with the transactions will flow to/from the Group.

### (k) Associates

An associate is an entity in which the Group or Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in the consolidated income statement as they arise. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 4(c) to the financial statements.

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (k) Associates *(Continued)*

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the income statement.

In the Company's balance sheet, its investments in associates are stated at cost less impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case, it is stated at fair value with changes in fair value recognised in the income statement as they arise.

### (l) 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.

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 income statement 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 income statement to the extent of the amounts previously charged.

### (m) Related Parties

Two 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.

### (n) 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.

### (o) Trade Receivable

Provision is made against trade receivable to the extent that they are considered to be doubtful. Trade receivable in the balance sheet is stated net of such provision.

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (p) Cash Equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were generally within three months of maturity when acquired. Cash equivalents include investments and advances denominated in foreign currencies provided that they fulfil the above criteria.

For the purpose of balance sheet classification, cash equivalents represent asset similar, in nature to cash, which are not restricted to use.

For the purposes of the consolidated cash flow statement, cash equivalents would also include bank overdrafts and advances from banks repayable within three months from the date of the advance.

### (q) Provisions and Contingent Liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Company or the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

### (r) Deferred Taxation

Deferred taxation is accounted for under the liability method in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or asset is expected with reasonable probability to crystallise in the foreseeable future. Deferred tax asset is not recognised unless its realisation is assured beyond reasonable doubt.

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (s) Translation of Foreign Currencies

Transactions in foreign currencies during the year are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, jointly-controlled entity and associates operating in Mainland China and overseas are translated into Hong Kong dollars using the net investment method. The income statements of overseas subsidiaries, jointly-controlled entity and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange equalisation reserve.

Prior to the adoption of the revised SSAP 11 during the year, as explained in note 3 to the financial statements, the income statement and cash flow statements of subsidiaries, jointly-controlled entity and associates operating in Mainland China and overseas were translated to Hong Kong dollars at the exchange rates at the balance sheet date. The adoption of the revised SSAP 11 has had no material effect on the financial statements.

### (t) Employee Benefits

**(i) 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 income statement 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.

## 4. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

### (t) Employee Benefits *(Continued)*

**(i) Retirement benefits scheme *(Continued)***

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 income statement as they become payable in accordance with the rules of the LPSs.

**(ii) Share option schemes**

The Company operates share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. The financial impact of share options granted under these share option schemes is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recorded in the income statement or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in share premium account. Options which are cancelled prior to their exercise dates, or which lapse, are deleted from their registers of outstanding options.

### (u) Segment Reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segment information as the secondary reporting format.

Segment assets consist primarily of fixed assets and current assets. Segment liabilities comprise operating liabilities and exclude items such as tax payable and borrowings. Capital expenditure represents addition to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

## 5. SEGMENT INFORMATION

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 management 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:

**(a) 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.

**(b) 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, 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 | | | |
| | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 |
| | **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 | **3,219** | 22,732 | **15** | 9 | **3,234** | 22,741 | **3,450** | 4,758 | **2,546** | 4,991 | **-** | 92 | **5,996** | 9,841 | **9,230** | 32,582 |
| Other revenue | **38** | 7 | **4** | - | **42** | 7 | **-** | - | **-** | - | **-** | - | **-** | - | **42** | 7 |
| Total revenue | **3,257** | 22,739 | **19** | 9 | **3,276** | 22,748 | **3,450** | 4,758 | **2,546** | 4,991 | **-** | 92 | **5,996** | 9,841 | **9,272** | 32,589 |
| Segment results* | **(14,547)** | (149,883) | **(60,038)** | (167,419) | **(74,585)** | (317,302) | **(381)** | (26,129) | **(1,048)** | (1,244) | **(6,948)** | (8,344) | **(8,377)** | (35,717) | **(82,962)** | (353,019) |
| Interest income | | | | | | | | | | | | | | | **34** | 303 |
| Unallocated expenses | | | | | | | | | | | | | | | **-** | (504) |
| Loss from operating activities | | | | | | | | | | | | | | | **(82,928)** | (353,220) |
| Finance costs | | | | | | | | | | | | | | | **(13,020)** | (11,122) |
| Share of losses of: | | | | | | | | | | | | | | | | |
| A jointly-controlled entity | **-** | (6,592) | **-** | - | **-** | (6,592) | **-** | - | **-** | - | **-** | - | **-** | - | **-** | (6,592) |
| Associates | **-** | - | **(733)** | (2,209) | **-** | (2,209) | **-** | - | **-** | - | **-** | - | **-** | - | **(733)** | (2,209) |
| Loss before tax | | | | | | | | | | | | | | | **(96,681)** | (373,143) |
| Tax | | | | | | | | | | | | | | | **(1,540)** | (53) |
| Loss before minority interests | | | | | | | | | | | | | | | **(98,221)** | (373,196) |
| Minority interests | | | | | | | | | | | | | | | **70** | 5,310 |
| Net loss from ordinary activities attributable to shareholders | | | | | | | | | | | | | | | **(98,151)** | (367,886) |

* 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 | | | |
| | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 | 2002 | 2001 |
| | 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* | 284,523 | 283,849 | 8,979 | 6,602 | 293,502 | 290,451 | 19,331 | 20,926 | 6,122 | 9,094 | 46,825 | 53,686 | 72,278 | 83,706 | 365,780 | 374,157 |
| Interests in associates | - | - | 71,169 | 58,857 | 71,169 | 58,857 | - | - | - | - | - | - | - | - | 71,169 | 58,857 |
| Total assets | | | | | | | | | | | | | | | 436,949 | 433,014 |
| Segment liabilities | (190,177) | (116,420) | (31,490) | (34,300) | (221,667) | (150,720) | (5,599) | (5,935) | (3,994) | (4,099) | (18,644) | (18,616) | (28,237) | (28,650) | (249,904) | (179,370) |
| Unallocated liabilities | | | | | | | | | | | | | | | (91,656) | (93,689) |
| Total liabilities | | | | | | | | | | | | | | | (341,560) | (273,059) |
| Other segment information: | | | | | | | | | | | | | | | | |
| Depreciation and amortisation | 93 | 27 | 4,591 | 5,691 | 4,684 | 5,718 | 1,070 | 2,379 | 54 | 39 | 6,948 | 7,480 | 8,072 | 9,898 | 12,756 | 15,616 |
| Impairment losses recognised in the income statement | 13,078 | 74,000 | - | 35,206 | 13,078 | 109,206 | - | 26,636 | - | 750 | - | - | - | 27,386 | 13,078 | 136,592 |
| Unallocated amounts | | | | | | | | | | | | | | | - | 504 |
| | | | | | | | | | | | | | | | 13,078 | 137,096 |
| Other non-cash expenses | 15,208 | 42,220 | 17,997 | 94,571 | 33,205 | 136,791 | 682 | - | 993 | - | - | - | 1,675 | - | 34,880 | 136,791 |
| Capital expenditure | 104 | 80 | 1,410 | 1,437 | 1,514 | 1,517 | - | 10 | 327 | 881 | - | 400 | 327 | 1,291 | 1,841 | 2,808 |

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

| | Hong Kong | | Mainland China | | Other | | Consolidated | |
|---|---|---|---|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Segment revenue: | | | | | | | | |
| Sales to external customers | **15** | 9 | **9,215** | 32,573 | **–** | – | **9,230** | 32,582 |
| Other revenue | **4** | – | **38** | 7 | **–** | – | **42** | 7 |
| Total revenue | **19** | 9 | **9,253** | 32,580 | **–** | – | **9,272** | 32,589 |
| Segment results | **(47,515)** | (135,390) | **(35,447)** | (217,656) | **–** | 27 | **(82,962)** | (353,019) |
| Other segment information: | | | | | | | | |
| Segment assets | **79,471** | 63,568 | **356,714** | 369,312 | **764** | 134 | **436,949** | 433,014 |
| Capital expenditure | **1,410** | 1,437 | **431** | 1,371 | **–** | – | **1,841** | 2,808 |

## 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:

| | **2002** | 2001 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Toll bridge operations | **3,450** | 4,758 |
| Sale of properties | **3,219** | 22,732 |
| Sale of goods | **2,546** | 4,991 |
| Skiing operations | **–** | 92 |
| Others | **15** | 9 |
| Turnover | **9,230** | 32,582 |
| Exchange gains, net | **5** | – |
| Interest income | **34** | 303 |
| Others | **37** | 7 |
| Other revenue | **76** | 310 |
| Total revenue | **9,306** | 32,892 |

## 7. DISCONTINUING OPERATIONS

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

As described in note 1 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.

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 43(a) to the financial statements.

## 7. DISCONTINUING OPERATIONS *(Continued)*

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

The financial information of the discontinuing operations are as follows:

| | Toll bridge operations | | General trading operations | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Total assets | **19,331** | 20,926 | **10,010** | 10,589 |
| Total liabilities | **17,530** | 18,438 | **9,843** | 6,794 |
| Turnover | **3,450** | 4,758 | **2,546** | 4,991 |
| Cost of sales | **(405)** | (275) | **(1,871)** | (3,682) |
| | **3,045** | 4,483 | **675** | 1,309 |
| Other revenue | **3** | 11 | **5** | – |
| Selling and distribution expenses | **–** | – | **(475)** | (1,242) |
| Administrative expenses | **(2,763)** | (3,976) | **(254)** | (246) |
| Other operating expenses | **(681)** | (26,636) | **(1,726)** | (2,163) |
| Loss from operating activities | **(396)** | (26,118) | **(1,775)** | (2,342) |
| Finance costs | **(320)** | (328) | **(91)** | (188) |
| Loss before tax | **(716)** | (26,446) | **(1,866)** | (2,530) |
| Tax | **–** | (30) | **–** | (25) |
| Net loss for the year | **(716)** | (26,476) | **(1,866)** | (2,505) |

The directors are unable to estimate the amounts of net cash flows attributable to the discontinuing operations.

Upon completion of the Disposal, the Group recorded a gain of approximately HK$4,345,000.

## 7. DISCONTINUING OPERATIONS *(Continued)*

### (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 is still pending. Upon the completion of the Disposal, the Group will discontinue its Skiing Operations. The financial information of the Skiing Operations is set out in note 2(b)(ii) to the financial statements.

The gain or loss on disposal of the Skiing Operations will be determined based on the sale proceeds less the consolidated net asset value of the Group's interests in the Skiing 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 the Skiing Operations with reasonable accuracy.

## 8. LOSS FROM OPERATING ACTIVITIES

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

| | **2002** | 2001 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Cost of services rendered | **405** | 272 |
| Cost of inventories sold | **1,871** | 3,682 |
| Cost of properties sold | **10,070** | 37,078 |
| Auditors' remuneration | **700** | 1,200 |
| Depreciation | | |
| – owned assets | **8,972** | 10,234 |
| – assets under finance leases | **122** | 39 |
| Operating lease rentals in respect of land and buildings | **1,501** | 4,325 |
| Staff costs (excluding directors' remuneration (note 10): | | |
| – wages and salaries | **7,979** | 9,084 |
| – retirement benefits scheme contributions | **201** | 283 |
| Loss on disposal of fixed assets, net | **663** | 255 |
| Exchange gain/loss, net | **(5)** | 57 |
| Items included in other operating expenses, net: | | |
| Provisions against sundry deposits (note 2(b)(i)) | **9,546** | – |
| Provisions for inventories | **2,123** | – |
| Provisions against interests in associates (note 19(b)) | **–** | 51,529 |
| Provisions against advances and for guarantees given to a shareholder of an associate | **–** | 3,352 |
| Impairment of properties under development (note 16) | **13,078** | 74,000 |
| Provisions for doubtful debts | **4,842** | 1,165 |
| Provisions against long term deposits | **–** | 17,692 |
| Provision for an amount due from a jointly-controlled entity | **–** | 1,941 |
| Provision for amount due from a former director | **519** | – |
| Impairment of long term investments | **–** | 9,683 |
| Impairment of fixed assets | **–** | 27,386 |
| Impairment of goodwill arising from the acquisitions of an associate and subsidiaries previously dealt with in reserves | **–** | 26,027 |
| Provisions for properties held for sale | **–** | 26,483 |
| Provisions against certain payments and receipts, net | **–** | 29,185 |
| Provision against a legal claim | **–** | 10,361 |
| Amortisation of goodwill attributable to an associate (note 19) | **3,662** | 5,343 |

## 9. FINANCE COSTS

| | 2002<br>HK$'000 | 2001<br>HK$'000 |
|---|---|---|
| Interest on bank loans and other loans wholly repayable: | | |
| Within five years | **12,863** | 10,932 |
| Over five years | **91** | 190 |
| Interest on finance leases | **66** | – |
| | **13,020** | 11,122 |

## 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:

| | 2002<br>HK$'000 | 2001<br>HK$'000 |
|---|---|---|
| Fees | **–** | – |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **11,749** | 3,934 |
| Retirement benefits scheme contributions | **110** | 49 |
| | **11,859** | 3,983 |

The independent non-executive directors received no fees or other emoluments for their services rendered to the Group during the year (2001: HK$Nil).

## 10. DIRECTORS' REMUNERATION *(Continued)*

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

| | Number of directors | |
|---|---|---|
| | **2002** | 2001 |
| Nil – HK$1,000,000 | **19** | 9 |
| HK$1,000,001 – HK$1,500,000 | **1** | 2 |
| HK$1,500,001 – HK$2,000,000 | **2** | – |
| HK$2,000,001 – HK$2,500,000 | **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 are all directors (2001: two), details of whose remuneration are set out in note 10 to the financial statements.

The details of the remuneration of the other three non-director highest paid employees during the year ended 31 December 2001 are as follows:

| | **2002** | 2001 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Salaries, allowances and benefits in kind | **–** | 1,849 |
| Retirement benefits scheme contributions | **–** | 23 |
| | **–** | 1,872 |

The number of employees whose remuneration fell within the following band is as follows:

| | Number of employees | |
|---|---|---|
| | **2002** | 2001 |
| Nil – HK$1,000,000 | **–** | 3 |

## 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 (2001: 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.

| | **2002** | 2001 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Mainland China enterprise income tax | | |
| Provided for the current year | **9** | 53 |
| Underprovision in previous years | **1,531** | – |
| | **1,540** | 53 |

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 (2001: HK$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 2002 dealt with in the financial statements of the Company was HK$97,403,000 (2001: HK$313,474,000).

## 14. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss attributable to shareholders of HK$98,151,000 (2001: HK$367,886,000) and on the weighted average of 2,479,799,545 (2001: 1,699,766,135) ordinary shares in issue during the year.

There was no dilution effect on the basic loss per share for the years ended 31 December 2002 and 2001 as there were no dilutive shares outstanding during the years ended 31 December 2002 and 31 December 2001.

## 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 1 January 2002 | 24,216 | 56,721 | 1,911 | 713 | 67,463 | 2,653 | 4,320 | 157,997 |
| Exchange movement | 38 | 90 | 1 | – | 114 | 3 | 7 | 253 |
| Additions | – | – | 513 | – | 80 | 1,248 | – | 1,841 |
| Disposals | – | – | (1,378) | – | (438) | (271) | – | (2,087) |
| At 31 December 2002 | 24,254 | 56,811 | 1,047 | 713 | 67,219 | 3,633 | 4,327 | 158,004 |
| Accumulated depreciation and impairment: | | | | | | | | |
| At 1 January 2002 | 3,838 | 36,830 | 404 | 713 | 35,966 | 1,067 | – | 78,818 |
| Exchange movement | 6 | 59 | – | – | 55 | 1 | – | 121 |
| Provided during the year | 1,040 | 963 | 562 | – | 6,162 | 367 | – | 9,094 |
| Disposals | – | – | (950) | – | (226) | (248) | – | (1,424) |
| At 31 December 2002 | 4,884 | 37,852 | 16 | 713 | 41,957 | 1,187 | – | 86,609 |
| Net book value: | | | | | | | | |
| At 31 December 2002 | 19,370 | 18,959 | 1,031 | – | 25,262 | 2,446 | 4,327 | 71,395 |
| At 31 December 2001 | 20,378 | 19,891 | 1,507 | – | 31,497 | 1,586 | 4,320 | 79,179 |

Certain furniture and equipment with a net book value as at 31 December 2002 of approximately HK$23,833,000 (2001: HK$29,535,000) have been pledged to secure other loans granted to the Group (note 33).

Certain land and buildings with a net book value as at 31 December 2002 of approximately HK$1,574,000 (2001: HK$1,606,000) have been pledged to secure certain banking facilities granted to the Group (note 32).

## 15. FIXED ASSETS *(Continued)*

The net book value of motor vehicles includes an amount of approximately HK$1,442,000 (2001: HK$342,000) in respect of assets held under finance leases.

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 | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| At cost: | | |
| At beginning of year | **425,463** | 565,251 |
| Exchange movement | **677** | 2,309 |
| Additions | **21,994** | 3,523 |
| Transferred to properties held for sale | **(9,733)** | (145,620) |
| | **438,401** | 425,463 |
| Less: Accumulated impairment | **(211,041)** | (197,649) |
| | **227,360** | 227,814 |

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

An additional impairment loss of HK$13,078,000 was made for the year ended 31 December 2002 (2001: HK$74,000,000). The impairment arose from the subsequent Disposal Transaction and unfavorable conditions in the property market in certain areas in Mainland China and was determined based on the director's estimates of market values of these properties under development with reference to professional valuation.

Certain properties under development amounting to HK$24,528,000 (2001: HK$24,489,000) held by the Group have been pledged to secure banking facilities granted to the Group (Note 28).

Certain properties under development amounting to HK$176,416,000 (2001: HK$177,000,000) held by the Group have been pledged to secure banking facilities granted to an independent third party.

## 17. INTEREST IN SUBSIDIARIES

| | Company 2002 HK$'000 | Company 2001 HK$'000 |
|---|---|---|
| Unlisted investments, at cost | **633,132** | 633,131 |
| Due from subsidiaries | **445,245** | 428,029 |
| Due to subsidiaries | **(210,608)** | (212,899) |
| | **867,769** | 848,261 |
| Less: Provisions for impairment | **(746,449)** | (668,696) |
| | **121,320** | 179,565 |

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

The following is a list of the principal subsidiaries as at 31 December 2002:

| 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 2002 | 2001 | Principal activities |
|---|---|---|---|---|---|
| Acot Company Limited* | British Virgin Islands | US$1 | **100** | 100 | Investment holding |
| Dynamic Global Development Limited ("DGDL") | 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 # | Mainland China | US$12,000,000 (note (b)) | **100** | 100 | Property development |
| Fairyoung (Xiamen) Real Estate Development Limited #* | Mainland China | US$3,000,000 (note (b)) | **100** | 100 | Property development |

## 17. INTEREST IN SUBSIDIARIES *(Continued)*

The following is a list of the principal subsidiaries as at 31 December 2002:

| 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 2002 | 2001 | Principal activities |
|---|---|---|---|---|---|
| Gover Limited | British Virgin Islands | US$1 | **100** | 100 | Investment holding |
| Fairyoung Heilongjiang Industry Co., Ltd. # | Mainland China | RMB 50,000,000 (note (b)) | **100** | 100 | Operation of a skiing resort |
| Huicheng (Zhang Jia Kou) Development Co., Ltd. ##* | Mainland 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 |
| Softech Limited | British Virgin Islands | US$1 | **100** | 100 | Investment holding |
| Xiamen Jin Bo Er Trading Ltd. @* | Mainland China | RMB5,000,000 (note (b)) | **100** | 100 | General trading |
| Fortune Target Limited | British Virgin Islands | US$100 | **100** | – | Investment holding |
| Fortune House Worldwide Holdings Limited | British Virgin Islands | US$1 | **100** | – | Investment holding |

# Wholly foreign-owned enterprise registered in Mainland China

## Sino-foreign co-operation joint venture registered in the Mainland China

@ Limited company established in the Mainland 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)).

## 17. INTEREST IN SUBSIDIARIES *(Continued)*

Liberal Supply Limited, Softech Limited, Fortune Target Limited and Fortune House Worldwide Holdings Limited are held directly by the Company. All other principal subsidiaries are held indirectly 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 Mainland 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.

## 18. INTEREST IN A JOINT VENTURE

| | **2002** | 2001 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Share of net assets of a jointly-controlled entity | **–** | – |
| Due from a jointly-controlled entity | **1,941** | 1,941 |
| | **1,941** | 1,941 |
| Provision for amount due from a jointly-controlled entity | **(1,941)** | (1,941) |
| | **–** | – |

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 2002 was HK$Nil (2001: HK$Nil).

## 18. INTEREST IN A JOINT VENTURE *(Continued)*

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 | | Principal activity |
|---|---|---|---|---|
| | | **2002** | 2001 | |
| Shanghai Huiyang Real Estate Development Co., Ltd. ("SH Huiyang") | US$5,000,000/ Mainland China | **60** | 60 | Property development |

The operating results and financial position of SH Huiyang are summarized as follows:

| | **2002** **HK$'000** | 2001 HK$'000 |
|---|---|---|
| **Operating results:** | | |
| Turnover | **2,892** | 1,283 |
| Loss after tax | **(867)** | (13,488) |
| **Financial position:** | | |
| Non-current assets | **24** | 57 |
| Current assets* | **27,824** | 28,700 |
| Current liabilities | **(31,181)** | (31,223) |
| Net liabilities | **(3,333)** | (2,466) |

* Included in the current assets were certain properties held for sale in Mainland China with a carrying amount of HK$24,511,000 as at 31 December 2002 (2001: HK$27,114,000) which were foreclosed by a court in Mainland China for the repayment of certain indebtedness of SH Huiyang.

## 19. INTEREST IN ASSOCIATES

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Share of net assets | **959** | 1,692 |
| Goodwill arising on acquisition | **118,013** | 108,277 |
| Due from associates | **3,904** | 595 |
| | **122,876** | 110,564 |
| Provision for impairment | **(51,529)** | (51,529) |
| Provision for an amount due from an associate | **(178)** | (178) |
| | **71,169** | 58,857 |

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

All the associates of the Group are corporate entities.

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:

| | **2002** | 2001 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| Cost | | |
| At 1 January | **113,620** | – |
| Arising from acquisition of associates | **–** | 113,620 |
| Arising from additional acquisition of 10% of an associate | **13,398** | – |
| At 31 December | **127,018** | 113,620 |
| Accumulated amortisation and impairment | | |
| At 1 January | **56,872** | – |
| Amortisation provided during the year | **3,662** | 5,343 |
| Impairment provided during the year | **–** | 51,529 |
| At 31 December | **60,534** | 56,872 |
| Net book value | | |
| At 31 December | **66,484** | 56,748 |

## 19. INTEREST 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 2002 | 2001 | Principal activities |
|---|---|---|---|---|
| Beijing Xinhua Huiyang Network Technology Ltd. | Mainland China | **49** | 49 | Internet online bookstore |
| Lawsons Infotech (Holdings) Corporation ("Lawsons Infotech") (note (b)) | British Virgin Islands | **20** | 20 | Investment holding and development and licensing of e-commerce solutions |
| Golden Yield Enterprises Limited ("Golden Yield") (note (a)) | British Virgin Islands | **39** | 29 | Investment holding |
| Beijing Zotn Digital Technologies, Inc. ("Beijing Zotn")# | Mainland China | **27.3** | 20.3 | Application service provider |
| Well Known Technology Limited ("Well Known") (note (b)) | Hong Kong | **20** | 20 | Investment holding |
| Shenzhen Yuan Tang Baye Fingerprint Recognition Technology Co., Limited ("Shenzhen Fingerprint") @ | Mainland China | **18** | 18 | Design and development of fingerprint recognition technology |

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

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

## 19. INTEREST IN ASSOCIATES *(Continued)*

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.

*Note:*

(a) During the year ended 31 December 2002, the Group acquired additional 10% interest in Golden Yield. Golden Yield is an investment holding company and its subsidiary, is an application service provider. The existing directors have not been able to obtain the financial statements of Golden Yield for the year ended 31 December 2002, nor other necessary financial information of Golden Yield for the purpose of equity accounting for Golden Yield in the Group's financial statements for the current year. Accordingly, these financial statements have not included the Group's share of results of Golden Yield for the year ended 31 December 2002.

(b) During the year ended 31 December 2001, 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 existing directors, both operations of Lawsons Infotech and Well Known have been suspended.

The existing 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 2002.

Due to the unsatisfactory current development of these two associates, full provisions aggregating approximately HK$51.5 million against the Group's interests in Lawsons Infotech and Well Known have been made by the Group in the income statement for the year ended 31 December 2001.

## 20. LONG-TERM INVESTMENTS

| | Group | | Company | |
|---|---|---|---|---|
| | **2002** | 2001 | **2002** | 2001 |
| | **HK$'000** | HK$'000 | **HK$'000** | HK$'000 |
| Unlisted investments, at cost | **34,500** | 34,500 | **29,500** | 29,500 |
| Less: Provision for impairment | **(34,500)** | (34,500) | **(29,500)** | (29,500) |
| | **–** | – | **–** | – |

## 21. DUE FROM A FORMER DIRECTOR

**Wong Siu Kay**

| | Group | |
|---|---|---|
| | **2002** | 2001 |
| | **HK$'000** | HK$'000 |
| Balance at end of year | **–** | – |
| Balance at beginning of year | **–** | – |
| Maximum outstanding balance during the year | **1,612** | – |

The amount was unsecured, interest free and without pre-determined terms of repayment. At 31 December 2002, provision of approximately HK$519,000 has been made for the amount due (2001: HK$Nil).

## 22. PROPERTIES HELD FOR SALE

As 31 December 2002, the carrying amount of properties held for sale carried at net realisable value was HK$50,393,000 (2001: HK$50,649,000).