

1. PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). They have been prepared under the historical cost convention, except that, as disclosed in the accounting policies below, other investments are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January 2001:

SSAP 14 (revised)	: Leases (effective for periods commencing on or after 1st July 2000)
SSAP 28	: Provisions, contingent liabilities and contingent assets
SSAP 29	: Intangible assets
SSAP 31	: Impairment of assets

The accounting policies set out below have taken into account the adoption of the new standards.

(b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the Group, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power, or holds more than half of the issued share capital. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

The gain or loss on disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

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

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(c) Associated companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long-term and significant influence is exercised in its management.

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

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

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

(d) Intangible asset

On adoption of SSAP 29, goodwill arose from acquisition of associated companies last year is included in "Investments in associated companies" and is amortised using the straight line basis over its estimated useful life of 5 years. Any impairment arising on such goodwill is accounted for in accordance with SSAP 31 "Impairment of assets". No prior year adjustment has been made to the accounts as the effect is not material.

(e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses.

Leasehold improvements are depreciated over the period of the lease while other tangible fixed assets are depreciated at rates sufficient to write off their costs over their estimated useful lives on a straight-line basis. The principal annual rate used is 20%.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

1. PRINCIPAL ACCOUNTING POLICIES (continued)**(e) Fixed assets (continued)**

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(f) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight-line basis over the lease periods.

(g) Investments in securities*(i) Investment securities*

Investment securities are stated at cost less any provision for impairment losses.

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

(ii) Other investments

Other investments are carried at fair value. At each balance sheet date, the net unrealised gains or losses arising from the changes in fair value of other investments are recognised in the profit and loss account. Profits or losses on disposal of other investments, representing the difference between the net sales proceeds and the carrying amounts, are recognised in the profit and loss account as they arise.

(h) Accounts receivable

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

(i) Club debentures

Club debentures included in other assets are stated at cost less any provision for impairment losses.

The carrying amounts of club debentures are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such club debentures will be reduced to its fair value. The impairment loss is recognized as an expense in the profit and loss account.

(j) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks and bank overdrafts.

1. PRINCIPAL ACCOUNTING POLICIES *(continued)*

(k) Provisions, contingent liabilities and contingent assets

In accordance with SSAP 28, provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group. When inflow is virtually certain, an asset is recognised.

(l) Deferred taxation

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

(m) Translation of foreign currencies

Transactions in foreign currencies 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 are dealt with in the profit and loss account.

(n) Revenue recognition

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

Dividend income is recognised when the right to receive payment is established.

Commission from underwriting services is accounted for in the period when receivable.

Gains or losses on sale of investment securities and other investments are recognised on the transfer of risks and rewards of ownership which generally coincides with the time when investments are delivered and title has passed.

2. REVENUES AND TURNOVER

The Group principally invests in securities listed on The Stock Exchange of Hong Kong Limited and unlisted securities, including equity securities, convertible notes and bonds issued by corporate entities. Total revenues recognised during the year are as follows:

	2001	2000
	HK\$	HK\$
Turnover		
Interest income from		
– bank deposits	577,866	1,011,054
– investment securities	2,435,433	4,015,802
– other sources	1,718,681	497,981
Dividend income from		
– listed investments	489,443	795,082
– unlisted investments	8,213,300	256,000
	13,434,723	6,575,919
Other revenues		
Gain/(loss) on sale of		
– other investments	24,126,803	13,148,846
– investment securities	(518,480)	1,400,000
Commission from underwriting services	–	187,500
Recovery of bad debts	32,450	–
	23,640,773	14,736,346
Total revenues	37,075,496	21,312,265

No analysis of the Group's turnover and contribution to operating profit for the year set out by principal activities and geographical markets is provided as the Group has one single business segment, investment holding, and less than 10% of the consolidated turnover and less than 10% of the consolidated results of the Group are attributable to markets outside Hong Kong.

3. UNREALISED GAIN/(LOSS) ON OTHER INVESTMENTS

The amounts represent net unrealised gain/(loss) arising from changes in fair values of other investments during the year.

Notes to the Account

4. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging the following:

	2001	2000
	HK\$	HK\$
Auditors' remuneration	278,400	218,100
Management fees (Note 22)	2,542,190	2,765,355
Incentive fees (Note 22)	1,615,321	–
Retirement benefit costs	110,103	47,872
Operating lease in respect of land and buildings	233,280	326,640
Net exchange losses	–	11,548
Other operating expenses	3,253,839	5,020,946

5. FINANCE COSTS

Amount represents interest on convertible bonds issued by the Group which will be wholly repayable or converted into shares of a subsidiary within five years. Details of the convertible bonds are set out in Note 20 to the accounts.

6. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) Directors' emoluments

The aggregate amounts of emoluments payable to directors of the Company during the year are as follows:

	2001	2000
	HK\$	HK\$
Fees	60,000	60,000
Emoluments	–	–

Directors' fees disclosed above include HK\$40,000 (2000: HK\$40,000) paid to independent non-executive directors.

In addition to the directors' emoluments disclosed above, one director of the Company received emoluments from a related company, namely Harmony Asset Management Limited, which amounted to HK\$1,560,000 (2000: HK\$1,560,000), in respect of his services to the Company and its subsidiaries.

6. DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (continued)

(a) Directors' emoluments (continued)

The emoluments of the directors fell within the following bands:

Emolument bands	Number of directors	
	2001	2000
HK\$nil – HK\$1,000,000	3	3
HK\$1,500,001 – HK\$2,000,000	1	1

During the year, no (2000: 36,000,000) options were granted to the directors under the Share Option Scheme approved by the shareholders at an annual general meeting on 22nd May, 2000. Each of the options entitles the holder to subscribe for one ordinary share of HK\$0.01 each in the Company at a price of HK\$0.24 each during the period from 1st August, 2000 to 31st July, 2003. During the year, no options had been exercised by the directors.

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group during the year are presented in the analysis below:

	2001 HK\$	2000 HK\$
Basic salaries, other allowances and benefits in kind	1,297,400	1,321,287
Fees to a director of a subsidiary	455,000	455,000
MPF contribution/Pensions	81,030	38,280
	<u>1,833,430</u>	<u>1,814,567</u>

The individual emoluments payable to the five individuals are within the band "from HK\$Nil to HK\$1,000,000". One (2000: One) of these five individuals is a director of a subsidiary within the Group. This individual is not a director of the Company and the emoluments are therefore not reflected in the analysis presented in part (a).

Notes to the Account

7. TAXATION CHARGE

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits for the year. The amount of taxation charged to the consolidated profit and loss account represents:

	2001	2000
	HK\$	HK\$
Hong Kong profits tax	765,900	1,166,639
Overprovision in prior years	(422,103)	(236,000)
	343,797	930,639

There was no material unprovided deferred taxation for the year (2000: Nil).

8. PROFIT/(LOSS) ATTRIBUTABLE TO SHAREHOLDERS

The profit/(loss) attributable to shareholders is dealt with in the accounts of the Company to the extent of a profit of HK\$6,478,538 (2000: loss of HK\$18,576,889).

9. EARNINGS/(LOSS) PER SHARE

The calculation of basic and diluted earnings/(loss) per share are based on the Group's profit/loss attributable to shareholders of HK\$13,537,884 (2000: loss of HK\$37,788,713).

The basic earnings/(loss) per share is based on the weighted average of 973,226,010 (2000: 883,579,994) ordinary shares in issue during the year. The diluted earnings/(loss) per share for the financial year is also based on 973,226,010 (2000: 883,579,994) ordinary shares as the effect arising from the exercise of outstanding warrants and options is anti-dilutive.

10. FIXED ASSETS

	Group				Total HK\$
	Leasehold improve- ments HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Motor vehicle HK\$	
Cost					
At 1st January, 2001	459,125	354,514	298,029	650,000	1,761,668
Additions	–	8,628	–	–	8,628
At 31st December, 2001	459,125	363,142	298,029	650,000	1,770,296
Accumulated depreciation					
At 1st January, 2001	237,215	125,165	156,800	357,500	876,680
Charge for the year	91,825	71,765	59,606	130,000	353,196
At 31st December, 2001	329,040	196,930	216,406	487,500	1,229,876
Net book value					
At 31st December, 2001	130,085	166,212	81,623	162,500	540,420
At 31st December, 2000	221,910	229,349	141,229	292,500	884,988

Notes to the Account

10. FIXED ASSETS (continued)

	Company				Total HK\$
	Leasehold improve- ments HK\$	Office equipment HK\$	Furniture and fixtures HK\$	Motor vehicle HK\$	
Cost					
At 1st January, 2001	459,125	321,109	298,029	650,000	1,728,263
Additions	—	8,628	—	—	8,628
At 31st December, 2001	459,125	329,737	298,029	650,000	1,736,891
Accumulated depreciation					
At 1st January, 2001	237,215	119,174	156,800	357,500	870,689
Charge for the year	91,825	65,084	59,606	130,000	346,515
At 31st December, 2001	329,040	184,258	216,406	487,500	1,217,204
Net book value					
At 31st December, 2001	130,085	145,479	81,623	162,500	519,687
At 31st December, 2000	221,910	201,935	141,229	292,500	857,574

Notes to the Accounts

11. OTHER ASSETS

	Group	
	2001 HK\$	2000 HK\$
Deposits for investments	29,324,629	2,000,000
Club debentures, at cost	1,231,360	—
	<u>30,555,989</u>	<u>2,000,000</u>

	Company	
	2001 HK\$	2000 HK\$
Deposits for investments	26,024,629	—
Club debentures, at cost	1,231,360	—
	<u>27,255,989</u>	<u>—</u>

12. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001 HK\$	2000 HK\$
Investments at cost:		
Unlisted shares	16,718,590	16,718,598
Amounts due from subsidiaries	110,004,938	58,720,266
Amounts due to subsidiaries	(33,099,409)	(295,654)
	<u>93,624,119</u>	<u>75,143,210</u>

The amounts due from and to subsidiaries are unsecured, interest free and repayable on demand.

Notes to the Account

12. INVESTMENTS IN SUBSIDIARIES (continued)

The following is a list of subsidiaries at 31st December, 2001:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Plowright Investments Limited ("PIL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	*100%
Waltin (HK) Limited ("WL")	Hong Kong	Investment holding in Hong Kong	2 Ordinary shares of HK\$1 each	100%
Powercell Limited ("PCL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%
Quickrise Limited ("QRL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%
Multiple Asset Limited ("MAL")	Hong Kong	Dormant	2 Ordinary shares of HK\$2 each	*100%
Wingo Venture Limited	British Virgin Islands	Investment holding	1 Ordinary share of US\$1 each	100%
IT Star Holdings Limited ("ITSH")	Cayman Islands	Investment holding in Hong Kong	1 Ordinary share of HK\$0.1 each	*100%
IT Star Limited ("ITL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%

12. INVESTMENTS IN SUBSIDIARIES (continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued share capital	Interest held
Wintech Limited ("WTL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%
Marrick Investments Limited ("MIL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%
Noble Way Development Limited ("NWD")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%
Wayfairer Investments Limited ("WIL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%
IT Development Limited ("ITD")	Hong Kong	Dormant	2 Ordinary shares of HK\$1 each	100%
Profit Success Limited ("PSL")	British Virgin Islands	Investment holding in Hong Kong	10 Ordinary shares of US\$1 each	100%
Datacom Venture Limited ("DVL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%
Batan Cyberbase Inc. ("BCI")	British Virgin Islands	Investment holding in Hong Kong	1,300 Ordinary shares of HK\$500 each	100%
Gwynneth Gold Limited ("GGL")	British Virgin Islands	Investment holding in Hong Kong	1 Ordinary share of US\$1 each	100%

* Shares held directly by the Company.

Notes to the Account

13. INVESTMENTS IN ASSOCIATED COMPANIES

	Group	
	2001 HK\$	2000 HK\$
Share of net assets other than goodwill	400,753	6,511,538
Goodwill on acquisition of an associated company, net of amortisation	885,586	–
Loan to an associated company	420,000	6,000,000
	<u>1,706,339</u>	<u>12,511,538</u>
Investments in unlisted shares, at cost	<u>5,576,000</u>	<u>9,276,000</u>

The loan due to an associated company is unsecured, interest free and repayable on demand.

The following is a list of the associated companies at 31st December, 2001:

Name	Place of incorporation and business	Principal activities	Particulars of issued shares held	Interests held indirectly
Last minute Limited (formerly known as Eclipse Investment Holdings Limited)	British Virgin Islands	Investment holding	2,730,000 ordinary shares of HK\$1 each	35%
iBrandDirect.com (Holdings) Limited (“IBD”)	Cayman Islands	Investment holding	30,000 ordinary shares of US\$1 each	33%

14. INVESTMENT SECURITIES

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Investment securities, at cost:				
Convertible note and bonds, unlisted (Note (a))	6,800,000	36,350,000	-	22,100,000
Equity securities, unlisted (Note (b))	75,468,388	50,338,083	-	-
Loans to investee companies (Note (b))	46,759,330	-	-	-
	129,027,718	86,688,083	-	22,100,000
Less: Provision for impairment losses in investment securities (Note (c))	(17,368,250)	(10,800,000)	-	-
	111,959,468	75,888,083	-	22,100,000
Equity securities, listed in Hong Kong (Note (d))	9,963,981	10,000,000	9,963,981	10,000,000
Less: Provision	(5,800,000)	-	(5,800,000)	-
	4,163,981	10,000,000	4,163,981	10,000,000
	115,823,449	85,888,083	4,163,981	32,100,000
Market value of listed equity securities	3,600,000	9,300,000	3,600,000	9,300,000

Investments securities comprise listed and unlisted equity securities and convertible note and bonds held for long term strategic purposes to maintain good relationships with business counterparts and generate regular dividends in future years.

Notes to the Account

14. INVESTMENT SECURITIES (CONTINUED)

(a) Convertible note and bonds

Convertible note and bonds are dated debt securities which permit the holder the right to convert the debt securities into shares of the issuers at the specified dates. The directors have the intention to take up the option to convert. Upon conversion of the convertible note and bonds, they will be stated at the cost of acquiring the underlying shares.

The convertible note and bonds bear interest which are either fixed or linked to prime rate. The rates of return derived from interest income provided by individual convertible note and bonds range from 6% to 13% (2000: 6% to 13%) per annum.

Details of the convertible note and bonds are as follows:

Name of issuer	Security	Nature of business	Principal amount		Maturity date	% of total	% of total
			2001	2000		asset of	asset of
			HK\$'000	HK\$'000		the Group	the Group
						2001	2000
FortuneAdvice.com Limited	Secured	Provision of astrology global overview	1,000	1,000	10th July, 2002	0.43%	0.47%
Fujita Glass Limited	Secured	Trading of glass	1,000**	1,000	11th October, 2001	0.43%	0.47%
TECO Technology (Holdings) Company Limited	Secured	Internet networking solution	1,100	1,100	17th May, 2002	0.48%	0.52%
Mangreat Asia Limited	Secured	Engineering consultant & contracting services	1,700	1,700	15th March, 2002	0.74%	0.80%
C&A Interior Architects & Consultants	Secured	Interior architects & consultation	2,000	–	16th March, 2002	0.87%	N/A
Yelverton Profits Limited	Unsecured	Investment holdings	–	22,100*	8th August, 2001	–	12.98%

14. INVESTMENT SECURITIES (continued)

Name of issuer	Security	Nature of business	Principal amount		Maturity date	% of total asset of the Group 2001	% of total asset of the Group 2000
			2001 HK\$'000	2000 HK\$'000			
Technology City Limited	Secured	Provision of multi-media financial information	–	1,000	20th October, 2001	–	0.47%
Superweb Express Inc.	Secured	Website designs & production	–	3,000	29th November, 2001	–	0.59%
Talent Information Management Limited	Secured	Internet and intranet service provider	–	2,900	19th July, 2001	–	1.7%
Others	Secured	Interior architects & consultation	–	2,550	16th March, 2002	–	0.94%
			6,800	36,350			
		Less: Specific provision for impairment losses (Note 15(c))	(1,650)	–			
			5,150	36,350			

* Convertible note and bonds held directly by the Company.

** The issuer is in the process of converting the bonds to a loan.

Notes to the Account

14. INVESTMENT SECURITIES (continued)

(b) Unlisted equity securities

At 31st December, 2001, the carrying amounts of equity interest in Chief Finance Limited and Goodwill Forever Limited exceeded 10% of total assets of the Company and the Group.

Details of the unlisted equity securities are as follows:

Name of investee company	Place of incorporation	Nature of business	Particulars of issued shares held	Interest in shares held	Cost		% of total assets of the Group	Net assets attributable to the Group
					Cost HK\$'000 2001	Cost HK\$'000 2000		
Chief Finance Limited	Hong Kong	Provision of commercial financing services	2,600,000 (2000: 2,600,000) of ordinary shares of HK\$1 each	26% (2000: 26%)	35,464	4,680	15.41% (2000: 2.19%)	2,813 (2000: N/A)
Goodwill Forever Limited	British Virgin Islands	Investment holdings	13,870 (2000: 13,870) of ordinary shares of US\$1 each	34.68% (2000: 34.68%)	23,620	23,620	10.26% (2000: 11.07%)	8,720 (2000: 9,587)
Yeelong Enterprises Limited	Hong Kong	Investment holdings	42,235,362 ordinary shares of HK\$1 each	35% (2000: Nil)	14,246	–	6.19% (2000: N/A)	15,886 (2000: N/A)
Fullpower Holdings Limited	British Virgin Islands	Investment holdings	1,750,000 of ordinary shares of HK\$1 each	35% (2000: Nil)	9,680	–	4.21% (2000: N/A)	2,781 (2000: N/A)
iD Innovation Limited	Hong Kong	Production of multi-media, CD-ROM products	6,711 (2000: 6,711) of ordinary shares of HK\$1 each	33.29% (2000: 33.29%)	9,293	7,962	4.04% (2000: 3.73%)	2,285 (2000: 3,630)
One Tel Limited	British Virgin Islands	IDD and ISP services	4,000,000 of ordinary shares of HK\$1 each	20% (2000: Nil)	4,000	–	1.74% (2000: N/A)	N/A** (2000: N/A)

14. INVESTMENT SECURITIES (Continued)

(b) Unlisted equity securities (Continued)

Name of investee company	Place of incorporation	Nature of business	Particulars of issued shares held	Interest in shares held	Cost	Cost	% of total assets of the Group	Net assets attributable to the Group
					HK\$'000	HK\$'000		
					2001	2000		
Expertise Holdings Limited	British Virgin Islands	Investment holdings	35 (2000:35)	35%	3,668	3,438	1.59%	882
			of ordinary shares of US\$1 each	(2000: 35%)			(2000: 1.61%)	(2000: 1,473)
Talent Information Management Limited	Hong Kong	Internet and intranet service provider	3,500 of ordinary shares of HK\$1 each	35% (2000: Nil)	3,505	–	1.59% (2000: N/A)	1
Superweb Express Inc.	British Virgin Islands	Website designs and production	3,500 of ordinary shares of US\$1 Each	35% (2000: Nil)	3,488	–	1.52% (2000: N/A)	126 (2000: N/A)
Multimedians Limited	Hong Kong	Software development for the education market	1,133,333 (2000: 1,133,333) of	32%	2,974	2,663	1.29%	(243)
			ordinary shares of HK\$0.10 each	(2000: 32%)			(2000: 1.25%)	(2000: 329)
Cyber Infotech Holdings Limited	British Virgin Islands	Investment holdings	1,000,000 (2000: 1,000,000) of ordinary shares of US\$0.10 each	2.5% (2000: Nil)	2,330	2,330	1.01% (2000: 1.09%)	(0) (2000: N/A)
Overseaschinesenet	Nevada	Computing service	250,000 of ordinary shares of US\$0.001 each	0.63% (2000: Nil)	195	–	0.08% (2000: N/A)	N/A** (2000: N/A)
Technology City Holdings Limited	British Virgin Islands	Provision of multi-media financial information	350 of ordinary shares of US\$1 each	35% (2000: Nil)	1,000	–	0.43% (2000: N/A)	615 (2000: N/A)
Webtrade Management Limited	Hong Kong	Sale of information products	3,000 of ordinary shares of US\$1 each	35% (2000: Nil)	300	–	0.13% (2000: N/A)	N/A** (2000: N/A)

Notes to the Account

14. INVESTMENT SECURITIES (Continued)

(b) Unlisted equity securities (Continued)

Name of investee company	Place of incorporation	Nature of business	Particulars of issued shares held	Interest in shares held	Cost		% of total assets of the Group	Net assets attributable to the Group
					HK\$'000	HK\$'000		
					2001	2000		HK\$'000
King Henderson Holdings Limited	Hong Kong	Investment holdings	35,000 of ordinary shares of HK\$1 each	35% (2000: Nil)	1,000	–	0.43% (2000: N/A)	440 (2000: N/A)
Innocom Technology Limited	Hong Kong	Product development & manufacturing	2,500 of ordinary shares of HK\$1 each	35% (2000: Nil)	500	–	0.22% (2000: N/A)	107 (2000: N/A)
Modern Market Management Limited	Hong Kong	Management services	300,000 of ordinary shares of HK\$1 each	35% (2000: Nil)	750	–	0.33% (2000: N/A)	721 (2000: N/A)
Jade Dynasty Holdings Limited	British Virgin Islands	Investment holdings	5,714 of ordinary shares of US\$0.01 each	0.57% (2000: Nil)	1,000	–	0.43% (2000: N/A)	48 (2000: N/A)
TJ Restaurant Management Co., Limited	Hong Kong	Japanese seafood buffet	1,000 of ordinary shares of HK\$1 each	10% (2000: Nil)	780	–	0.34% (2000: N/A)	N/A** (2000: N/A)
ChineseWorldNet.com Inc.	Cayman Islands	Provision of financial information service	250,000 (2000: 250,000) of ordinary shares of US\$0.001 each	4.17% (2000: 4.17%)	780	780	0.34% (2000: 0.37%)	254 (2000: N/A)
Mypet.com Limited	Hong Kong	Provision of pet care products and related services on internet	350 (2000: 350) of ordinary shares of HK\$1 each	35% (2000: 35%)	215	175	0.09% (2000: 0.08%)	(154) (2000: N/A)
Goodwill China Business Information Limited	Hong Kong	Sale of information products	134,554 (2000: 134,554) of ordinary shares of HK\$1 each	2% (2000: 2%)	1,000	1,000	0.43% (2000: 0.47%)	50 (2000: 89)

14. INVESTMENT SECURITIES (continued)

(b) Unlisted equity securities (Continued)

Name of investee company	Place of incorporation	Nature of business	Particulars of issued shares held	Interest in shares held	Cost		% of total assets of the Group	Net assets attributable to the Group
					HK\$'000 2001	Cost HK\$'000 2000		
Allways Internet Limited	Hong Kong	Provision of travel agency services and information on internet	1,050,000(2000:	35%	1,500	1,500	0.65%	925
			1,050,000) of ordinary shares of HK\$1 each	(2000: 35%)				
Hoss Virtualab Limited	Hong Kong	Provision of software products for education	1,250 (2000:	12.5%	300	300	0.13%	(12)
			1,250) of ordinary shares of HK\$1 each	(2000: 12.5%)				
Fujita Glass Limited	Hong Kong	Trading of glass	3,750 (2000:	15%	250	250	0.11%	(23)
			3,750) of ordinary shares of HK\$1 each	(2000: 15%)				
Enviro Technology International Limited	Hong Kong	Development of battery regenerators	500 (2000:	16.67%	390	390	0.17%	212
			500) of ordinary shares of HK\$1 each	(2000: 16.67%)				
eZ-Financial Services Limited	Hong Kong	Provision of electronic trading facilities	Nil (2000: 1,250,000) of ordinary shares of HK\$1.00 each	Nil (2000: 12.5%)	-	1,250	N/A (2000: 0.59%)	N/A (2000: 993)
					122,228	50,338		
Less: Specific provision for impairment losses (Note 14(c))					(15,718)	-		
					106,510	50,338		

* Shares held directly by the Company.

** The figures are not available as the first sets of audited accounts of the investee companies concerned have not yet been prepared since incorporation.

Notes to the Account

14. INVESTMENT SECURITIES (continued)

(b) Unlisted equity securities (continued)

The equity investments in the above companies with interest held exceeding 20% are recorded as investment securities at cost. These investments are not classified as investments in associated companies as the Group does not participate in their operations and has no significant influence over their management.

(c) Provision for impairment losses in investment securities

Last year, provision for impairment losses was set aside as a general provision for the Group's investments in unlisted equity and debt securities issued by advanced technology companies in response to unfavorable changes in the local economy which may adversely affect the advanced technology industry. The investments were directly held by the Company's subsidiaries whereas the provision was borne by the Company on behalf of its subsidiaries.

(d) Listed equity securities

The securities represent 30,000,000 (2000: 30,000,000) ordinary shares of Everest International Investments Limited recorded at cost which represents 14.44% (2000: 14.52%) of the issued share capital of the Company which became listed on The Stock Exchange of Hong Kong Limited on 12th December, 2000. The Company was incorporated in the Cayman Islands and engages in investment in listed and unlisted securities for medium to long term. At 31 December, 2001, the total market value of the securities amounted to HK\$3,600,000 (2000: HK\$9,300,000).

15. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Accounts receivable	5,244,393	22,398,002	499,086	13,000,000
Deposits	68,000	63,000	68,000	63,000
Prepayments	202,507	684,915	202,507	238,563
Other receivables	203,750	151,704	—	151,703
	5,718,650	23,297,621	769,593	13,453,266

Included in prior year's accounts receivable is a sum of HK\$13 million placed with a company which will help the Group to identify appropriate investment opportunities for the aforesaid sum. During the year, the company has invested this sum into an unlisted company, Yeelong Enterprises Limited (Note 14(b)).

16. OTHER INVESTMENTS

	Group		Company	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Equity securities, at fair value				
– Listed in Hong Kong	49,384,161	62,105,381	37,868,562	43,195,220
– Listed outside Hong Kong	4,056,150	2,340,000	–	–
	53,440,311	64,445,381	37,868,562	43,195,220
Market value of listed securities	53,440,311	64,445,381	37,868,562	43,195,220

Under an agreement entered into between the Group and a bank, the Group can pledge its listed securities to the bank for a loan equal to 20% of the market value of the pledged shares. During the year, the Group has not utilized this facility.

Details of the other investments are as follows:

Name of investee company	Place of incorporation	Number of shares/warrants held	Carrying value as at 1st January 2001 HK\$'000	Market value as at 31st December 2001 HK\$'000	Unrealised gain/(loss) arising on revaluation HK\$'000	% of total assets of the Group	Net assets attributable to the Group
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At 31st December, 2001

Listed in Hong Kong

Shares

Allied Properties (H.K.) Limited	Hong Kong	16,566,964	5,045	3,860	(1,185)	1.68%	20,645
Allied Group Limited	Hong Kong	10,304,000	4,311	4,431	120	1.92%	13,474
China Travel International Investment							
Hong Kong Limited	Hong Kong	200,000	313	322	9	0.14%	392
Chun Wo Holdings Limited	Bermuda	4,625,000	1,318	1,318	–	0.57%	3,718
EganaGoldpfeil (Holdings) Limited	Cayman Islands	51,960,000	9,246	10,080	834	4.38%	5,800
Fountain Set (Holdings) Limited	Hong Kong	1,132,000	1,257	1,438	181	0.62%	3,361
Haywood Investments Limited	Cayman Islands	9,975,000	10,274	8,578	(1,696)	3.73%	4,925

Notes to the Account

16. OTHER INVESTMENTS (continued)

Name of investee company	Place of incorporation	Number of shares/warrants held	Carrying value as at 1st January 2001 HK\$'000	Market value as at 31st December 2001 HK\$'000	Unrealised gain/(loss) arising on revaluation HK\$'000	% of total assets of the Group	Net assets attributable to the Group
Hua Lien International (Holding) Company Limited	Cayman Islands	1,500,000	600	1,200	600	0.52%	1,331
Millennium Group Limited	Hong Kong	2,454,000	243	294	51	0.13%	455
Prime Success International Group Limited	Cayman Islands	30,500,000	3,507	5,032	1,525	2.19%	8,631
Qingling Motors Company Limited	PRC	300,000	422	348	(74)	0.15%	750
Quality Food International Limited	Bermuda	5,000,000	475	275	(200)	0.12%	435
Sunlord Chemical Group	Cayman Islands	7,170,000	2,847	2,653	(194)	1.15%	951
Tonic Industries Holdings Limited	Cayman Islands	8,173,200	3,351	2,615	(736)	1.14%	5,094
Tysan Holdings Limited	Bermuda	10,000,000	2,190	1,850	(340)	0.80%	9,037
Upbest Group limited	Cayman Islands	1,000,000	1,200	1,450	250	0.63%	436
Vtech Holdings Limited	Bermuda	50,000	140	270	130	0.12%	144
Yu Ming Investments Limited	Hong Kong	560,000	125	126	1	0.05%	223
Zhu Kuan Development Company Limited	Bermuda	7,006,000	2,452	2,802	350	1.21%	8,075
			49,317	48,943	(374)		

16. OTHER INVESTMENTS (continued)

Name of investee company	Place of incorporation	Number of shares/warrants held	Carrying value as at 1st January 2001 HK\$'000	Market value as at 31st December 2001 HK\$'000	Unrealised gain/(loss) arising on revaluation HK\$'000	% of total assets of the Group	Net assets attributable to the Group
As at 31st December, 2001							
Warrants							
Allied Properties (H.K.)							
Limited - W0209	Hong Kong	15,267,749	328	382	54	0.17%	N/A
Global Green Tech Group – W-312	Cayman Islands	180,000	56	47	(9)	0.02%	N/A
Quality Food International							
Limited – W0212	Bermuda	200,000	18	12	(6)	0.01%	N/A
			<u>402</u>	<u>441</u>	<u>39</u>		
<i>Listed outside Hong Kong</i>							
Shares							
Dragon Pharmaceuticals Inc.	Florida	150,000	2,340	2,106	(234)	0.91%	1,016
Transcom Security Networks Inc.	British Columbia	500,000	1,950	1,950	0	0.85%	N/A
			<u>4,290</u>	<u>4,056</u>	<u>(234)</u>		
			54,009	53,440	(569)		
Write-back of last year's unrealised losses			<u>-</u>	<u>-</u>	<u>4,009</u>		
			<u><u>54,009</u></u>	<u><u>53,440</u></u>	<u><u>3,440</u></u>		

Notes to the Account

16. OTHER INVESTMENTS (continued)

Name of investee company	Place of incorporation	Number of shares/warrants held	Carrying value as at 1st January 2000 HK\$'000	Market value as at 31st December 2000 HK\$'000	Unrealised gain/(loss) arising on revaluation HK\$'000	% of total assets of the Group	Net assets attributable to the Group
At 31st December, 2000							
<i>Listed in Hong Kong</i>							
Shares							
Allied Properties (H.K.)							
Limited	Hong Kong	24,608,000	13,821	9,105	(4,716)	4.26%	47,193
Allied Group Limited	Hong Kong	7,506,000	4,841	3,378	(1,463)	1.58%	8,701
Chun Wo Holdings Limited	Bermuda	4,625,000	2,294	1,318	(976)	0.62%	3,547
EganaGoldpfeil (Holdings)							
Limited	Cayman Islands	31,000,000	5,681	5,301	(380)	2.48%	3,126
Excel Technology International							
Holdings Limited	Bermuda	600,000	529	378	(151)	0.18%	2
Haywood Investments Limited	Cayman Islands	9,975,000	10,972	10,274	(698)	4.81%	10,134
Hua Lien International							
(Holding) Company Limited	Cayman Islands	1,500,000	1,515	600	(915)	0.28%	1,041
Lamex Holdings Limited	Bermuda	373,290,200	24,965	16,798	(8,167)	7.87%	46,093
Mansion House Group Limited	Hong Kong	308,000	316	114	(202)	0.05%	49
Millennium Group Limited	Hong Kong	1,654,000	483	179	(304)	0.08%	237
Prime Success International							
Group Limited	Cayman Islands	30,500,000	7,320	3,506	(3,814)	1.64%	9,162
Quality Food International							
Limited	Bermuda	5,000,000	790	475	(315)	0.22%	489
Tonic Industries Holdings							
Limited	Cayman Islands	8,173,200	8,827	3,351	(5,476)	1.57%	4,343
Tysan Holdings Limited	Bermuda	10,000,000	4,200	2,190	(2,010)	1.03%	9,154
Upbest Group limited	Cayman Islands	1,000,000	1,249	1,200	(49)	0.56%	243

16. OTHER INVESTMENTS (continued)

Name of investee company	Place of incorporation	Number of shares/warrants held	Carrying value as at 1st January 2000 HK\$'000	Market value as at 31st December 2000 HK\$'000	Unrealised gain/(loss) arising on revaluation HK\$'000	% of total assets of the Group	Net assets attributable to the Group
At 31st December, 2000							
Zhu Kuan Development Company Limited							
	Bermuda	8,656,000	6,145	3,030	(3,115)	1.42%	9,464
36.com Holdings Limited							
	Bermuda	17,166,000	650	876	226	0.41%	512
			<u>94,598</u>	<u>62,073</u>	<u>(32,525)</u>		
Warrants							
Egana Jewellery & Pearls Limited - W0106							
	Cayman Islands	1,283,369	90	14	(76)	0.01%	N/A
Quality Food International Limited - W0212							
	Bermuda	200,000	—	18	18	0.01%	N/A
			<u>90</u>	<u>32</u>	<u>(58)</u>		
<i>Listed outside Hong Kong</i>							
Shares							
Dragon Pharmaceuticals Inc.							
	Florida	150,000	2,925	2,340	(585)	1.10%	1,048
			<u>97,613</u>	<u>64,445</u>	<u>(33,168)</u>		

17. BANK OVERDRAFT

At 31st December 2001, the Group's other investments with an aggregate market value of HK\$22,968,675 (2000: HK\$ Nil) were pledged to a bank for its banking facilities.

Notes to the Account

18. SHARE CAPITAL

	Authorised ordinary shares of HK\$0.01 each	
	No. of shares	HK\$
At 1st January, 2000	1,400,000,000	14,000,000
Increase in authorised ordinary share capital	8,600,000,000	86,000,000
At 31st December, 2000 and 31st December 2001	<u>10,000,000,000</u>	<u>100,000,000</u>
	Issued and fully paid ordinary shares of HK\$0.01 each	
	No. of shares	HK\$
At 1st January, 2000	768,078,234	7,680,782
Exercise of warrants (Note(a))	143,147,776	1,431,477
Issue of shares (Note(b))	62,000,000	620,000
At 31st December, 2000 and 31st December 2001	<u>973,226,010</u>	<u>9,732,259</u>

Notes

(a) Warrants

In 2000, 143,134,826 warrants were exercised and 143,134,826 ordinary shares were issued at a cash consideration of HK\$0.17 per ordinary share. In addition, 12,950 warrants were exercised and 12,950 shares were issued at a cash consideration of HK\$0.39 per ordinary share. These new shares rank pari passu with the existing shares of the Company.

As at 31st December 2001, the Company has 49,168,404 warrants outstanding entitling the holders to subscribe for shares in the Company at a subscription price of HK\$0.39 per share during the period from 24th May, 2000 to 31st May, 2002. If the warrants are fully exercised, the Company will be required to issue further 126,072,831 shares.

(b) Issue of shares

In December, 2000, the Company completed a placement of a total of 62,000,000 ordinary shares of HK\$0.01 each to the ITOCHU Corporation of HK\$0.208 per share under the general mandate granted to the directors at the annual general meeting held on 22nd May, 2000. These shares rank pari passu with the existing shares of the Company. The net proceeds from the placement are for investment purpose.

(c) Share Options

At an annual general meeting of the Company held on 22nd May, 2000, the Share Option Scheme was approved by the shareholders. During the year, no options were granted nor exercised. As at 31st December, 2001, the Company has outstanding options for holders to subscribe for 36,000,000 and 38,500,000 ordinary shares of the Company at a price of HK\$0.24 and HK\$0.22 per share respectively. These options are exercisable at any time prior to 31st July, 2003.

19. RESERVES

Group

	Share premium	Retained earnings	Total
	HK\$	HK\$	HK\$
At 1st January 2000	103,514,392	50,279,537	153,793,929
Dividends (Note (a))	–	(569,913)	(569,913)
Premium on issue of shares	35,182,493	–	35,182,493
Share issue expenses	(289,324)	–	(289,324)
Loss for the year	–	(37,788,713)	(37,788,713)
	<hr/>	<hr/>	<hr/>
At 31st December 2000 and 1st January, 2001	138,407,561	11,920,911	150,328,472
Profit for the year	–	13,537,884	13,537,884
	<hr/>	<hr/>	<hr/>
At 31st December, 2001	<u>138,407,561</u>	<u>25,458,795</u>	<u>163,866,356</u>
Attributable to:			
Company and subsidiaries	138,407,561	26,742,470	165,150,031
Associated companies	–	(1,283,675)	(1,283,675)
	<hr/>	<hr/>	<hr/>
At 31st December, 2001	<u>138,407,561</u>	<u>25,458,795</u>	<u>163,866,356</u>

Notes to the Account

19. RESERVES (continued)

Company

	Share premium	Retained earnings	Total
	HK\$	HK\$	HK\$
At 1st January, 2000	103,514,392	31,869,292	135,383,684
Dividends (Note (a))	–	(569,913)	(569,913)
Premium on issue of shares	35,182,493	–	35,182,493
Share issue expenses	(289,324)	–	(289,324)
Loss for the year	–	(18,576,889)	(18,576,889)
	<hr/>	<hr/>	<hr/>
At 31st December, 2000 and 1st January 2001	138,407,561	12,722,490	151,130,051
Profit for the year	–	6,478,538	6,478,538
	<hr/>	<hr/>	<hr/>
At 31st December, 2001	<u>138,407,561</u>	<u>18,806,192</u>	<u>157,608,589</u>

Notes

- (a) Dividend of 2000 represent 1999 dividend paid for the additional 113,982,600 ordinary shares issued subsequent after 113,982,600 warrants were exercised before the closing date of the members' register.
- (b) Distributable reserves of the Company at 31st December, 2001, calculated under section 79B of the Companies Law of the Cayman Islands, amounted to HK\$157,608,589 (2000: HK\$151,130,051).

20. CONVERTIBLE BONDS

	2001 HK\$	2000 HK\$
Convertible bonds		
Unsecured and wholly repayable within five years	<u><u>49,900,000</u></u>	<u><u>49,900,000</u></u>

In January, 2000, ITL issued convertible bonds with principal amounts of HK\$9.9 million and of HK\$10 million to Luen Wing Group and Chun Wo Holdings Limited respectively. In October, 2000, ITL and the bondholders agreed to substitute the outstanding convertible bonds by new convertible bonds of the same principal amounts issued by ITSH. The new convertible bonds each bear a fixed interest of 6% per annum and will mature on 8th December, 2002. In addition, each bondholder is entitled to convert the full principal amount of the bond into 13,200,000 ordinary shares of ITSH on occurrence of certain conversion events at any time prior to 8th December, 2002. Upon conversion of all outstanding convertible bonds, the shares allotted to each of the bondholders will represent 6.6% of the enlarged issued share capital of ITSH.

The convertible bond held by Chun Wo Holdings Limited is secured by a guarantee of HK\$10 million provided by the Company.

In December, 2000, ITSH issued three convertible bonds with principal amounts of HK\$20 million, HK\$5 million and HK\$5 million to Cyber Wing Hang Limited, Everest International Investment Limited and Dragon Fair Development Limited respectively. The convertible bonds each bear a fixed interest of 5% per annum and will mature on 8th December, 2002. The respective bondholders are entitled to convert the full principal amounts of the bonds into 22,000,000, 5,500,000 and 5,500,000 ordinary shares of ITSH respectively on occurrence of certain conversion events any time prior to 8th December, 2002. Upon conversion of all outstanding convertible bonds, the shares allotted to the bondholders will represent 11%, 2.75% and 2.75% of the enlarged issued share capital of ITSH respectively.

Notes to the Account

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of profit/(loss) before taxation to net cash outflow from operating activities

	2001 HK\$	2000 HK\$
Operating activities		
Profit/(loss) before taxation	13,881,681	(36,858,074)
Realised loss/(gain) on disposal of investment securities	518,480	(1,400,000)
Provision for diminution of investment securities	12,368,250	10,800,000
Share of losses of associated companies	1,283,675	2,764,462
Interest income	(4,731,980)	(5,524,837)
Dividend income from investment securities	(8,213,300)	(256,000)
Finance costs	2,693,640	1,087,794
Depreciation of owned fixed assets	353,196	348,357
Amortisation of goodwill	241,524	–
Increase in other assets	(27,324,629)	(2,000,000)
Decrease/(increase) in accounts receivable and prepayments	8,998,971	(17,034,421)
Increase/(decrease) in creditors and accruals	1,402,969	(2,982,051)
Decrease in other investments	11,005,070	19,652,153
Net cash inflow/(outflow) from operating activities	<u>12,477,547</u>	<u>(31,402,617)</u>

21. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Analysis of changes in financing during the year

	Share capital including premium	
	2001 HK\$	2000 HK\$
As at 1st January	148,139,820	111,195,174
Net cash inflow from financing	—	36,944,646
As at 31st December	<u>148,139,820</u>	<u>148,139,820</u>

	Convertible bonds	
	2001 HK\$	2000 HK\$
As at 1st January	49,900,000	—
Net cash inflow from financing	—	49,900,000
As at 31st December	<u>49,900,000</u>	<u>49,900,000</u>

(c) Major non-cash transactions

In 2000, the Group has exchanged 965 shares of investment securities amounting to HK\$273,526 for 95,700,000 ordinary shares of Lamex Holdings Limited and, subsequently, re-exchanged 620 shares of the investment securities for HK\$5 million and 12,360,000 ordinary shares of Lamex Holdings Limited.

Notes to the Account

22. MANAGEMENT CONTRACTS

	2001 HK\$	2000 HK\$
Management fees		
– Harmony Asset Management Limited (<i>Note</i>)	<u>2,542,190</u>	<u>2,765,355</u>
Incentive fees		
– Harmony Asset Management Limited (<i>Note</i>)	<u>1,615,321</u>	<u>–</u>

Note:

The Company has entered into an investment management agreement with Harmony Asset Management Limited (“HAML”), a company which is wholly owned by Dr. Chow Pok Yu, Augustine. Under the agreement, HAML agreed to assist the board of directors with the day-to-day management of the Group for a period commencing 1st June, 1998 to 1st June, 2001. Pursuant to a supplemental agreement which was approved at the annual general meeting on 22nd May, 2000, the investment management agreement was extended to 5th April, 2006. In accordance with the investment management agreement, HAML is entitled to a monthly fee calculated at 1.5% per annum on the net asset value of the Company of the preceding month and an incentive fee at 10% of the surplus in the net asset value over a financial year. Dr. Chow Pok Yu, Augustine, being a beneficial shareholder, was interested in these contracts in 2001 and 2000.

23. RELATED PARTY TRANSACTIONS

In addition to the related party transactions stated in Note 22 to these financial statements, the Group entered into the following significant related party transaction in the normal course of business:

The Group held 9,975,000 (2000: 9,975,000) shares of a related company, Haywood Investments Limited (“HIL”), a company listed on The Stock Exchange of Hong Kong Limited. Dr. Chow Pok Yu, Augustine is a director of HIL. These shares were acquired in 1998 at a cash consideration of HK\$10,421,500 based on the market value at the date of acquisition. At 31st December, 2001, the market value of these shares was HK\$8,578,500 (2000: HK\$10,274,250).

24. COMMITMENTS

(a) Commitments under operating leases

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

	2001 HK\$	Restated 2000 HK\$
Within one year	116,640	233,280
In the second to fifth years inclusive	—	116,640
	116,640	349,920

The above comparatives have been restated to conform with changes in the current year's presentation in order to take into account the requirements of the SSAP 14 (revised).

(b) Commitments under subscription agreements for investment securities

At 31st December, 2001, the Group had outstanding commitments amounting to HK\$1,900,000 (2000: HK\$3,400,000) to subscribe for convertible bonds for investment purposes. The Group had no outstanding commitments to subscribe for equity securities (2000: HK\$Nil).

25. APPROVAL OF ACCOUNTS

The accounts were approved by the board of directors on 19 April, 2002.