1. GROUP REORGANISATION

The Company was incorporated in Bermuda as an exempted company with limited liability on 16 November 2000 under the Companies Act 1981 of Bermuda (as amended). On incorporation, the Company had an authorised share capital of HK$100,000 divided into 10,000,000 shares of HK$0.01 each, which were allotted and issued nil paid on 7 December 2000. Apart from the foregoing, no other transactions were carried out by the Company during the period from 16 November 2000 (date of incorporation) to 31 December 2000. Accordingly, the Company had no profits or losses for that period.

Pursuant to a reorganisation scheme (the "Group Reorganisation"), the Company became the holding company of the companies now comprising the Group on 4 April 2001. This was accomplished by acquiring the entire issued share capital of Luks Industrial Company Limited ("LICL"), the intermediate holding company of the other subsidiaries as set out in note 20 to the financial statements, in consideration of and in exchange for the allotment and issue of 336,096,964 shares of HK$0.01 each in the share capital of the Company, in which 326,096,964 shares were allotted and issued on 4 April 2001 credited as fully paid. The Company also applied a sum of HK$100,000 out of its contributed surplus account for the 10,000,000 shares of the Company which had been issued nil paid on 7 December 2000.

Further details of the Group Reorganisation are set out in notes 36 and 37 to the financial statement and in the Company's circular dated 13 February 2001. LICL consequently became the intermediate holding company of such subsidiaries.

2. CORPORATE INFORMATION

The principal office of Luks Industrial (Group) Limited is located at 5/F, Cheong Wah Factory Building, 39-41 Sheung Heung Road, Tokwawan, Kowloon, Hong Kong.

During the year, the Group was involved in the following principal activities:

- sale of electronic products
- manufacture and sale of cement
- property investment
- property development
- investment holding

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

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

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

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

SSAP 9 (Revised) prescribes which types of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure but no adjustment, and has had no effect on amounts previously reported in prior year financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for finance leases and operating leases, which are further detailed in notes 34 and 39 to the financial statements, respectively.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. The adoption of this SSAP has had no effect on the amounts previously reported in prior year financial statements.

3. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE ("SSAPs") (Cont'd)

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 5 to the financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The adoption of this SSAP and the required additional disclosures have had no effect on the amounts previously reported in prior year financial statements.

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 4 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 19 to the financial statement

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no impact on the preparation of these financial statements.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment properties and certain equity investments, as further explained below.

Basis of presentation and consolidation

The Group Reorganisation involved reconstruction resulting in a share for share exchange. Because of this, the Group Reorganisation took place on 4 April 2001, according to Statement of Standard Accounting Practice ("SSAP") No. 2.127, "Accounting for Group Reconstructions", be accounted for using merger accounting whereby the Company together with its subsidiaries are regarded and accounted for as a continuing group in the preparation of the Group's financial statements commencing for the year ended 31 December 2001. Accordingly, comparative financial statements for the year ended 31 December 2000 and the related notes thereto have been presented in these financial statements on the basis that the Company was treated as the holding company of its subsidiaries for the financial years presented rather than from the subsequent date of acquisition of the subsidiaries on 4 April 2001. The consolidated results of the Group for the year ended 31 December 2000 include the results of the Company and its subsidiaries with effect from 1 January 2000 or since their respective dates of incorporation, where this was a shorter period. The consolidated balance sheets as at 31 December 2000 have been prepared on the basis that the current Group structure was in place at those dates.

All significant transactions and balances among the companies comprising the Group have been eliminated on combination.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefit from its activities. The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by a 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.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Joint venture companies (Cont'd)

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.

Jointly-controlled entities

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Associates
An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

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

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 20 years.

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

On disposal of subsidiaries, 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 which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves 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 reserves, 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries 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 an acquisition.

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

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

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

On disposal of subsidiaries, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate. Any attributable negative goodwill previously credited to the capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An asset's recoverable amount is calculated as the higher of the asset's value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Impairment of assets (Cont'd)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than investment properties and construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in 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:

Leasehold land and buildings	Over the lease terms
Plant and machinery	4% – 15%
Furniture, fixtures and office equipment	9% – 20%
Motor vehicles	14% – 25%
Launch	15%
Computer equipment	18% – 20%
Leasehold improvements	18% – 20%

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

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 and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the carrying amount over the remaining term of the lease, and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

On disposal of an investment property, the relevant portion of the investment property revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

Leased assets

Leases that transfer substantially all the rewards and risks of ownership of assets to the Group, other than legal title, are accounted for as finance leases. At the inception of a finance lease, the cost of the leased assets is capitalised at the present value of the minimum lease payments and recorded together with the obligation, excluding the interest element, to reflect the purchase and financing. Assets held under capitalised finance leases are included in fixed assets and depreciated over the shorter of the lease terms and the estimated useful lives of the assets. The finance costs of such leases are charged to the profit and loss account so as to provide a constant periodic rate of charge over the lease terms.

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rentals receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Properties under development

Properties under development are stated at cost which includes the cost of land, construction, financing and other directly related expenses, plus, in the case of pre-sold properties or a portion thereof, any attributable profit received on the contracted sales, less any impairment losses.

Development properties where construction has not yet commenced or has been deferred, are included as land held for development and are stated at cost less any impairment losses.

Investment securities

Investment securities are equity investments which are intended to be held on a long term basis for strategic business reasons, and are stated at cost less any impairment losses which are expected to be other than temporary, on an individual investment basis. The amounts of such impairment losses are charged to the profit and loss account for the period in which they arise.

Other investments

Investments in securities intended to be held for capital gain purposes are classified as other investments. Other investments are stated at fair value on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of the other investments are credited or charged to the profit and loss account for the period in which they arise.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted-average basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries, associates and jointly-controlled entities are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Revenue recognition

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

(a) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(b) rental income, on a time proportion basis over the lease terms;

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

(d) dividend income, when the shareholders' right to receive payment has been established.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Cont'd)

Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and bye-laws grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

5. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 3 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

(a) the cement products segment includes the Group's manufacturing and sale of cement products for use in the construction industry;

(b) the property investment segment includes the Group's investment in industrial and residential premises for their rental income potential;

(c) the investment segment includes the Group's investment in and holding of long term investments; and

(d) the other segment comprises the Group's sale of electronic products and plywood products.

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

5. SEGMENT INFORMATION (Cont'd)

(a) Business segments

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

Group	Cement products		Property investment		Investment		Other		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:										
Sales to external customers	**163,905**	117,995	**8,116**	10,914	**–**	–	**3,012**	3,954	**175,033**	132,863
Other revenue	**–**	–	**66**	150	**244**	–	**7**	701	**317**	851
Total	**163,905**	117,995	**8,182**	11,064	**244**	–	**3,019**	4,655	**175,350**	133,714
Segment results	**34,533**	14,139	**30,404**	(4,970)	**13,703**	(642,479)	**(17,454)**	(6,322)	**61,186**	(639,632)
Interest and dividend income									**25,239**	25,237
Unallocated expenses									**(5,309)**	(6,012)
Profit/(loss) from operating activities									**81,116**	(620,407)
Finance costs									**(6,638)**	(23,296)
Share of profits and losses of:										
Jointly-controlled entities	**–**	–	**(34,503)**	(23,040)	**–**	–	**–**	–	**(34,503)**	(23,040)
Associates	**–**	–	**–**	–	**–**	(1,763)	**–**	–	**–**	(1,763)
Profit/(loss) before tax									**39,975**	(668,506)
Tax									**–**	–
Profit/(loss) before minority interests									**39,975**	(668,506)
Minority interests									**(3,513)**	2,364
Net profit/(loss) from ordinary activities attributable to shareholders									**36,462**	(666,142)

5. SEGMENT INFORMATION (Cont'd)

(a) Business segments (Cont'd)

Group	Cement products		Property investment		Investment		Other		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**353,849**	358,466	**470,413**	120,595	**320,841**	308,652	**1,365**	18,061	**1,146,468**	805,774
Interests in jointly-controlled entities	**–**	–	**1,498**	211,998	**–**	–	**–**	–	**1,498**	211,998
Interest in associates	**–**	–	**–**	–	**–**	(1,732)	**–**	–	**–**	(1,732)
Total assets	**353,849**	358,466	**471,911**	332,593	**320,841**	306,920	**1,365**	18,061	**1,147,966**	1,016,040
Segment liabilities	**9,793**	7,423	**114,503**	71,814	**73,833**	24,980	**7,790**	19,871	**205,919**	124,088
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**93,236**	99,519
Total liabilities	**9,793**	7,423	**114,503**	71,814	**73,833**	24,980	**7,790**	19,871	**299,155**	223,607
Other segment information:										
Depreciation	**14,080**	13,750	**2,599**	2,532	**1,715**	934	**5,543**	5,750	**23,937**	22,966
Unrealized holding gain/(loss) on other investments	**–**	–	**–**	–	**86,362**	(367,000)	**–**	–	**86,362**	(367,000)
Capital expenditure	**9,333**	2,423	**–**	–	**1,694**	40,513	**–**	–	**11,027**	42,936
Loss on disposal of subsidiaries	**–**	–	**–**	–	**1,893**	–	**–**	201	**1,893**	201
Loss on disposal of associates	**–**	–	**–**	–	**704**	–	**–**	–	**704**	–
Loss on disposal of other investments	**–**	–	**–**	–	**31,081**	172,236	**–**	–	**31,081**	172,236
(Surplus)/deficit arising from revaluation of investment properties	**–**	–	**(699)**	699	**–**	–	**–**	–	**(699)**	699
Impairment of interests in associates	**–**	–	**–**	–	**–**	3,726	**–**	–	**–**	3,726
Impairment/(written back impairment) of interest in jointly-controlled entities, net	**–**	–	**26,890**	(29,853)	**–**	–	**–**	–	**26,890**	(29,853)
Impairment on an investment security	**–**	–	**–**	–	**11,153**	12,179	**–**	–	**11,153**	12,179
Impairment of properties under development	**–**	–	**–**	–	**641**	–	**–**	–	**641**	–
Impairment of fixed assets	**–**	–	**–**	–	**–**	–	**10,327**	–	**10,327**	–
Provision for doubtful debts	**–**	–	**–**	–	**–**	28,774	**–**	–	**–**	28,774
Provision for claim on cost of land use right	**–**	–	**–**	–	**–**	10,586	**–**	–	**–**	10,586

5. SEGMENT INFORMATION (Cont'd)

(b) Geographical segments

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

Group	Hong Kong		Elsewhere in the PRC		Vietnam		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**4,745**	5,656	**5,634**	7,992	**164,654**	119,215	**175,033**	132,863
Segment results	**(87,960)**	(601,488)	**103,342**	(10,153)	**45,804**	(27,991)	**61,186**	(639,632)
Other segment information:								
Segment assets	**240,526**	343,146	**205,804**	89,897	**701,636**	582,997	**1,147,966**	1,016,040
Capital expenditure	**1,694**	40,513	**–**	–	**9,333**	2,423	**11,027**	42,936

6. TURNOVER, REVENUE AND GAIN

Turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts; and gross rental income received and receivable from investment properties during the year.

An analysis of the Group's turnover, other revenue and gain is as follows:

	2001 HK$'000	2000 HK$'000
Turnover		
Sale of electronic products	**2,262**	2,734
Sales of cement	**163,905**	117,995
Sales of plywood and other wood products	**750**	1,220
Gross rental income	**8,116**	10,914
	175,033	132,863
Other revenue and gain		
Interest income	**22,823**	25,237
Dividend income from other investments	**2,416**	–
Others	**317**	851
	25,556	26,088

7. OTHER OPERATING INCOME/(EXPENSES)

	Group	
	2001 HK$'000	2000 HK$'000
Loss on disposal of subsidiaries	**(1,893)**	(201)
Loss on disposal of associates	**(704)**	–
Surplus/(deficit) arising from revaluation of investment properties	**699**	(699)
Impairment on an investment security	**(11,153)**	(12,179)
Impairment of interests in associates	**–**	(3,726)
(Impairment)/written back impairment of interests in jointly-controlled entities, net	**26,890**	(29,853)
Impairment of properties under development	**(641)**	–
Impairment of fixed assets	**(10,327)**	–
Provision for doubtful debts	**–**	(28,774)
Provision for claim on cost of land use right	**–**	(10,586)
	2,871	(86,018)

8. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2001	2000
	HK$'000	*HK$'000*
Depreciation	**23,937**	22,966
Cost of inventories sold	**102,493**	78,992
Salary and wages expenses (excluding directors' remuneration, note 10)	**12,342**	12,190
Auditors' remuneration	**661**	819
Foreign exchange losses, net	**10,652**	9,061
Provision for slow-moving and obsolete stock	**–**	50
Loss on disposal of fixed assets	**–**	144
Net rental income	**(7,556)**	(10,289)

9. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Interest expense on:		
Bank loans repayable within five years	**6,113**	10,443
Loans repayable within five years from:		
Directors	**337**	4,256
Related company	**–**	1,979
Others	**139**	5,431
Guaranteed notes	**–**	1,116
Finance leases	**49**	71
	6,638	23,296

10. DIRECTORS' REMUNERATION

Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Fees	**350**	350
Other emoluments:		
Salaries and allowances	**5,126**	6,155
Bonuses	**70**	6,850
	5,196	13,005
	5,546	13,355

Fees include HK$100,000 (2000: HK$100,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: HK$nil).

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

During the year, 10,200,000 shares options were granted to the directors in respect of their services to the Group, further details of which are set out under the heading "share option scheme" in the Report of the Directors. The estimated value of such options, which has not been charged to the profit and loss account, was HK$2,142,000 as at the date of the grant. This was determined by reference to the theoretical value as computed by the Black-Scholes model.

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK$1,000,000	**4**	5
HK$1,000,001 – HK$1,500,000	**1**	1
HK$1,500,001 – HK$2,000,000	**1**	–
HK$2,000,001 – HK$2,500,000	**1**	–
HK$10,000,001 – HK$10,500,000	**–**	1
	7	7

11. HIGHEST PAID EMPLOYEES

The six highest paid employees during the year included four (2000: four) directors, details of whose remuneration are set out in note 10 above. Details of the remuneration of the remaining two (2000: two) non-director, highest paid employees are as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Salaries	**1,018**	1,057

The remuneration of the non-director, highest paid employees fell within the band of nil-HK$1,000,000.

12. TAX

No Hong Kong or overseas profits tax has been provided for either of the year ended 31 December 2001 and 2000 as the Group had no assessable profits arising in or derived from Hong Kong or elsewhere during these years.

13. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statement of the Company is HK$3,556,000 (2000: nil).

14. DIVIDENDS

	Group and Company	
	2001	2000
	HK$'000	*HK$'000*
Interim dividend of HK 8 cents (2000: nil) per ordinary share	**25,575**	–
Final dividend of HK 10 cents (2000: nil) per ordinary share	**30,579**	–
	56,154	–

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

15. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$36,462,000 (2000: net loss of HK$666,142,000) and the weighted average of 326,183,000 (2000: 340,094,000) ordinary shares in issue during the year.

A diluted earnings per share amount for the year ended 31 December 2001 has not been disclosed, as the share options and warrants outstanding during the year had no dilutive effects on the earnings per share for the year.

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

16. FIXED ASSETS

Group

	2000	Exchange realignment	Transfer from construction in progress (note 18)	Additions	Impairment	Acquisition of a subsidiary (note 38)	Disposal	Disposal of subsidiaries (note 38)	Transfer to investment properties (note 17)	**2001**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Cost										
Leasehold land and buildings	130,858	(2,391)	–	59	–	–	–	(13,818)	(8,021)	**106,687**
Plant and machinery	364,216	(14,693)	5,411	1,395	–	14	–	(150)	–	**356,193**
Furniture, fixtures and office equipment	7,872	(90)	–	375	–	9,134	(3,496)	(505)	–	**13,290**
Motor vehicles	7,188	(144)	–	3,789	–	1,161	(430)	(424)	–	**11,140**
Launch	2,251	–	–	56	–	–	–	–	–	**2,307**
Computer equipment	5,105	–	–	25	–	–	(4,828)	–	–	**302**
Leasehold improvements	1,430	–	–	–	–	–	–	–	–	**1,430**
	518,920	(17,318)	5,411	5,699	–	10,309	(8,754)	(14,897)	(8,021)	**491,349**
Accumulated depreciation and impairment:										
Leasehold land and buildings	18,616	(557)	–	3,519	9,614	–	–	(1,604)	(1,309)	**28,279**
Plant and machinery	67,887	(3,199)	–	16,385	713	–	–	(150)	–	**81,636**
Furniture, fixtures and office equipment	6,974	(78)	–	255	–	4,758	(3,496)	(505)	–	**7,908**
Motor vehicles	4,966	(74)	–	957	–	986	(430)	(424)	–	**5,981**
Launch	2,211	–	–	28	–	–	–	–	–	**2,239**
Computer equipment	5,088	–	–	9	–	–	(4,828)	–	–	**269**
Leasehold improvements	1,245	–	–	185	–	–	–	–	–	**1,430**
	106,987	(3,908)	–	21,338	10,327	5,744	(8,754)	(2,683)	(1,309)	**127,742**
Net book value	411,933									**363,607**

16. FIXED ASSETS (Cont'd)

The Group's leasehold land and buildings included above are held at cost, under the following lease terms:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Situated in Hong Kong:		
Long term leases	**44,060**	52,082
Situated elsewhere:		
Medium term leases	**–**	13,818
Short term leases	**62,627**	64,958
	106,687	130,858

At 31 December 2001, certain of the Group's leasehold land and buildings situated in Hong Kong and Vietnam, with a net book value of approximately HK$78,150,000 (2000: HK$49,865,000) and certain of the Group's plant and machinery, with a net book value of approximately HK$148,517,000 (2000: HK$150,744,000), were pledged to secure general banking facilities granted to the Group (note 41).

The net book values of the Group's fixed assets held under finance leases included in the total amount of motor vehicles at 31 December 2001, amounted to HK$1,093,000 (2000: Nil).

Accumulated impairment losses are aggregated with accumulated depreciation under the revised disclosure requirements of SSAP 17, which are initially effective for the current year.

17. INVESTMENT PROPERTIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Valuation:		
Balance at beginning of year	**128,911**	136,179
Transfer from fixed assets *(note 16)*	**6,712**	2,016
Acquisition of a subsidiary *(note 38)*	**312,000**	–
Surplus/(deficit) on revaluation	**837**	(9,284)
Balance at end of year	**448,460**	128,911
Accumulated depreciation:		
Balance at beginning of year	**12,411**	9,879
Provided during the year	**2,599**	2,532
Balance at end of year	**15,010**	12,411
Net book value:		
At end of year	**433,450**	116,500

The investment properties are held under the following lease terms:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Situated in Hong Kong:		
Long term leases	**9,590**	4,000
Medium term leases	**72,810**	72,800
Situated elsewhere:		
Medium term leases	**312,000**	–
Short term leases	**39,050**	39,700
	433,450	116,500

17. INVESTMENT PROPERTIES (Cont'd)

The investment properties were revalued on 31 December 2001 by Chung, Chan & Associates Chartered Surveyors, an independent professional valuer, at an aggregate open market value based on their existing use. The investment properties are leased to third parties under operating leases, further details of which are included in note 39 to the financial statements. The details of the investment properties, which are 100% attributable to the Group, were as follows:

Location	Use	Tenure
Store Rooms 4, 5 and 6 on Upper Basement Floor, Fu Hang Industrial Building, No. 1 Hok Yuen Street, Hung Hom, Kowloon, Hong Kong	Industrial building for rental	Medium term leases
G/F to 13/F, Luks Industrial Building, Tuen Mun Town Lot No. 145, No. 6 Tsun Wen Road, Tuen Mun, New Territories, Hong Kong	Industrial building for rental	Medium term leases
Flat A2, 3/F, Flat B, 4/F, Flat B, 5/F, Flat C, 7/F and Flat A1 & A2, 9/F, Cheong Wah Factory Building, Nos. 39 – 41 Sheung Heung Road, and No. 60 Cheung Ning Street, Tokwawan, Kowloon, Hong Kong	Industrial building for rental	Long term leases
Workshops E2 & F2, 7/F, Hang Fung Industrial Building, Phase II, No. 2G, Hok Yuen Street East, Hung Hom, Kowloon, Hong Kong	Industrial building for rental	Medium term leases
Units A and B on G/F & 4/F and the whole floor of 1/F, Block 2, Xinghua Road, Hua Jian Industrial Building, Shekou Industrial Zone, Shenzhen, PRC	Industrial building for rental	Short term leases
The whole block of Luks Industrial Building and Dormitory, Xinan 3rd Road, Xinanban Zone No. 28, Bao An Area, Shenzhen, PRC	Industrial and residential building for rental	Short term leases

17. INVESTMENT PROPERTIES (Cont'd)

Location	Use	Tenure
1st and 2nd Floors of the Dormitory, 2nd of 05A, Area 33, Bao An Area, Shenzhen, PRC	Residential building for rental	Short term leases
Saigon Trade Centre, No. 37, Ton Duc Thang Street, District 1, Ho Chi Minh City Vietnam	Commercial building for rental	Medium term leases

At 31 December 2001, certain of the Group's investment properties situated in Hong Kong with a value of approximately HK$63,930,000 (2000: HK$74,150,000) and certain floors of Saigon Trade Centre ("STC") situated in Vietnam, with a carrying value of the whole block of property approximately HK$312,000,000 were pledged to secure general banking facilities granted to the Group (note 41).

18. CONSTRUCTION IN PROGRESS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Balance at beginning of year	**86**	–
Exchange realignments	**(3)**	–
Additions	**5,328**	275
Transfer to fixed assets *(note 16)*	**(5,411)**	(189)
Balance at end of year	**–**	86

19. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year, as detailed in note 3 to the financial statements. The goodwill capitalised as an asset in the balance sheet as at 31 December 2001 arose from the acquisition of a subsidiary as further detailed in note 38(d) to the financial statements. As the acquisition was effective on 31 December 2001, no amortisation on goodwill was charged to the profit and loss account during the year.

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain credited to the capital reserve. The amounts of such negative goodwill remaining in reserves, arising from the acquisition of subsidiaries, was HK$11,813,000 as at 1 January and 31 December 2001.

20. INTERESTS IN SUBSIDIARIES

	Company 2001 HK$'000	Company 2000 HK$'000
Unlisted shares, at cost	**785,890**	–
Due to subsidiaries	**(71,232)**	–
	714,658	–

Details of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Luks Holdings (BVI) Limited	British Virgin Islands	US$2	**100**	100	Investment holding
Luks Industrial Company Limited*	Hong Kong	HK$168,048,482	**100**	100	Property investment and investment holding
Luks Electrical Appliance Manufactory Limited*	Hong Kong	HK$300,000	**100**	100	Trading of printed circuit boards
Luks Industrial (Bao An) Company Limited*	PRC	HK$39,000,000	**100**	100	Property investment
Fortune City Investments Limited*	Hong Kong	HK$10,000	**65**	65	Property development
Luks Vietnam Holdings Limited*	Bermuda	US$120,000	**100**	100	Investment holding
Luks Vietnam Company Limited	British Virgin Islands	US$3	**100**	100	Investment holding

20. INTERESTS IN SUBSIDIARIES (Cont'd)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share capital/ registered capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Luks International Company Limited*	Hong Kong	HK$6,000,000	**100**	100	Investment holding
Luks Timber Investments Limited*	Hong Kong	HK$2	**100**	100	Investment holding
Luks – Vaxi Company Limited*	Vietnam	VND329,356,867,000	**68.1**	68.1	Manufacture and sale of cement
Happy Mate Development Limited*	Hong Kong	HK$1,000,000	**68**	68	Investment holding
Luks – Lavi Company Limited*	Vietnam	VND74,520,000,000	**71**	71	Sale of plywood
Luks Industrial (Yi Chang) Company Limited*	PRC	RMB4,400,000	**100**	100	Property development
Dongguan Fortune City Business Residential Development Limited*	PRC	RMB23,733,500	**58.5**	58.5	Property development
Luks Land Company Limited*	British Virgin Islands	US$100	**100**	100	Investment holding
Luks Cement Company Limited*	British Virgin Islands	US$50,000	**87.5**	87.5	Investment holding
Luks Land (Vietnam) Limited (Formerly Luks-lavico Company Limited)*/**	Vietnam	VND193,639,051,000	**100**	75	Property development and management

20. INTERESTS IN SUBSIDIARIES (Cont'd)

* Held through subsidiaries

** On 31 December 2001, the Group acquired from the joint venture partner the remaining 25% equity interest in the 75% owned joint-controlled entity, Luks Land (Vietnam) Limited ("LLV"). As a result of the acquisition, LLV became a 100% wholly owned subsidiary of the Group.

The above table lists those subsidiaries 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.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Share of net assets/(liabilities)	**28,053**	(17,002)
Due from jointly-controlled entities	**–**	295,528
Due to a jointly-controlled entity	**(21,654)**	(21,654)
	6,399	256,872
Provision for impairment	**(4,901)**	(44,874)
	1,498	211,998

The amounts due from/to jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment. In prior year, the amount due from Luks Land (Vietnam) Limited of HK$267,393,000 bore interest at 7% per annum.

21. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Cont'd)

Particulars of the jointly-controlled entity at 31 December 2001 is as follows:

Name	Business structure	Place of registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activity
Chengdu Leming House Development Company Limited *	Corporate	PRC	75	57	75	Property development

* Held through a 68% owned subsidiary

Extracts of the summary financial information of the major jointly-controlled entity, Luks Land (Vietnam) Limited, was as follows:

	2001 *HK$'000*	2000 *HK$'000*
Turnover	**25,586**	21,184
Loss after tax	**(46,016)**	(30,728)
Group's proportionate share of loss for the year	**(34,503)**	(23,040)
Non-current assets	**316,565**	272,493
Current assets	**10,046**	4,980
Current liabilities	**(10,679)**	(92,273)
Long term liabilities	**(307,722)**	(215,053)
Net assets/(liabilities)	**8,210**	(29,853)

On 31 December 2001, the 75% owned jointly-controlled entity Luks Land (Vietnam) Limited became a 100% wholly owned subsidiary and, therefore, was transfer to interests in subsidiaries.

22. INTERESTS IN ASSOCIATES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Unlisted shares:		
Share of net liabilities	**(2,686)**	(4,387)
Loans to associates	**27,133**	30,855
Loans from an associate	**–**	(31)
	24,447	26,437
Provision for impairment	**(24,447)**	(28,169)
	–	(1,732)

The loans from/(to) associates are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the principal associates are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group 2001	Percentage of equity attributable to the Group 2000	Principal activities
Luks Electronic Company Limited*	Corporate	Hong Kong	**40**	40	Investment holding
Hainan I Chang International Property Development Corporation#	Corporate	PRC	**40**	40	Property development

* The associate is indirectly held through a subsidiary.

The associate is indirectly held through an associate.

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.

23. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001	2000
	HK$'000	*HK$'000*
Land held for development	**3,054**	3,054
Provision for impairment	**(641)**	–
	2,413	3,054

The Group's properties under development comprise land held for development situated in Vietnam and are held under medium term leases.

24. INVESTMENT SECURITY

	Group	
	2001	2000
	HK$'000	*HK$'000*
At cost:		
Equity investment listed overseas, at cost	**23,878**	23,878
Provision for impairment	**(23,332)**	(12,179)
	546	11,699

25. OTHER INVESTMENTS

	Group	
	2001	2000
	HK$'000	*HK$'000*
At fair value:		
Equity investments listed in PRC:		
Hong Kong	**52,520**	178,000
Elsewhere	**137,449**	32,034
	189,969	210,034

25. OTHER INVESTMENTS (Cont'd)

Particulars of the other investments are as follows:

Name	Place of incorporation/ registration and operations	Class of shares held	Proportion of shares held	
			2001	2000
TCL International Holdings Limited ("TCL")	Cayman Islands	Ordinary	**1.61%**	4.17%
Shenzhen Huafa Electronics Co., Ltd ("Huafa")	PRC	Founder share	**10.97%**	11.09%

During the year 2001, the restriction on the transfer of the Huafa shares held by the Group, which were founder shares, was uplifted by the relevant PRC authority and these shares are now freely tradable on the Shenzhen Stock Exchange.

On 30 November 2001, the Group entered into agreements with three independent third parties ("Purchasers") to dispose of 30,000,000 Huafa shares representing 10.59% of the issued share capital of Huafa at a total consideration of HK$135,000,000. The purchase price represented a discount of approximately 28.6% to the closing price of HK$6.30 per share quoted on the Shenzhen Stock Exchange as at 30 November 2001. As at year ended 31 December 2001, the Group received HK$51,800,000 from the purchasers and included in ''Deposits received for disposal of certain other investments'' on the face of consolidated balance sheet. Further details of the Disposal of Shares are set out in the Company's circular dated 3 December 2001.

All of the Group's equity interest in Shenzhen Huafa Electronics Co., Ltd are disposed of subsequent to the balance sheet date.

The market value of the other investments listed in Hong Kong at the date of approval of these financial statements was approximately HK$80,800,000.

26. INVENTORIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Raw materials	**3,587**	3,856
Work in progress	**1,113**	1,227
Finished goods	**3,113**	1,320
	7,813	6,403

The amount of inventories carried at net realisable value included in above is nil (2000: HK$71,000).

27. TRADE RECEIVABLES

An ageing analysis of trade receivables is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
0 – 30 days	**8,649**	3,749
31 – 60 days	**1,073**	189
61 – 90 days	**143**	425
Over 120 days	**1,002**	–
Over 1 year	**2**	–
	10,869	4,363

Trading terms with customers are largely on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are regularly reviewed by senior management.

28. DUE TO DIRECTORS

The amounts due to directors bear interest at the rate of 1.5% (2000: 2.75%) over the Hong Kong prime rate, are unsecured and have no fixed terms of repayment.

29. DUE TO A RELATED PARTY

The amount due to a related party was unsecured, interest-free and had no fixed terms of repayment.

30. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**43,731**	9,991	**25,196**	–
Time deposit	**4,702**	15,631	**–**	–
	48,433	25,622	**25,196**	–

31. TRADE PAYABLES

An ageing analysis of trade payables is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
0 – 30 days	**5,978**	2,718
31 – 60 days	**948**	462
61 – 90 days	**143**	346
Over 120 days	**436**	650
Over 1 year	**15,679**	27,217
	23,184	31,393

32. INTEREST-BEARING BANK LOANS AND BORROWINGS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Current portion of bank loans *(note 33)*	**54,149**	62,591
Current portion of finance lease payables *(note 34)*	**289**	–
	54,438	62,591

33. INTEREST-BEARING BANK LOANS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Bank loans, secured:		
Short term	**46,821**	49,696
Long term	**33,709**	38,360
	80,530	88,056
Portion classified as current liabilities *(note 32)*:		
Short term bank loans	**46,821**	49,696
Long term bank loans within one year	**7,328**	12,895
	(54,149)	(62,591)
Long term portion	**26,381**	25,465
The interest-bearing bank loans are repayable as follows:		
Within one year	**54,149**	62,591
In the second year	**6,116**	7,928
In the third to fifth year, inclusive	**20,265**	17,537
	80,530	88,056

34. FINANCE LEASE PAYABLES

The Group leases certain of its motor vehicles. These leases are classified as finance leases and have remaining lease terms ranging from 4 to 5 years.

At 31 December 2001, the total future minimum lease payments under finance leases and their present values, were as follows:

	Minimum lease payments 2001 *HK$'000*	Minimum lease payments 2000 *HK$'000*	Present Value of Minimum lease payments 2001 *HK$'000*	Present Value of Minimum lease payment 2000 *HK$'000*
Amounts payable:				
Within one year	354	–	289	–
In the second year	354	–	254	–
In the third to fifth years inclusive	620	–	539	–
Total minimum finance lease payments	1,328	–	1,082	–
Future finance charges	(246)	–		
Total net finance lease payables	1,082	–		
Portion classified as current liabilities *(note 32)*	(289)	–		
Long term portion	793	–		

SSAP 14 was revised and implemented during the year, as detailed in note 3 to the financial statements. Certain new disclosures are required and have been included above.

35. DEFERRED TAX

The provision for deferred tax relates to timing differences arising from accelerated capital allowances for fixed assets which are expected to crystallise in the foreseeable future.

There were no significant potential deferred tax liabilities for which provision had not been made at the balance sheet date.

36. SHARE CAPITAL

Shares	**2001** **HK$'000**	2000 HK$'000
Authorised :		
760,000,000 ordinary shares (2000: 10,000,000) of HK$ 0.01 each	**7,600**	100
Issued and fully paid:		
316,422,156 ordinary shares of HK$0.01 each	**3,164**	–

The following changes in the Company's authorised and issued share capital took place during the period from 16 November 2000 (date of incorporation) to 31 December 2001:

(a) On incorporation, the Company had an authorised share capital of HK$100,000 divided into 10,000,000 ordinary shares of par value HK$0.01 each.

(b) On 7 December 2000, the Company allotted and issue nil paid 10,000,000 ordinary shares of par value HK$0.01 each.

(c) Pursuant to the terms of the Group Reorganisation, the authorised share capital of the Company was increased from HK$100,000 to HK$7,600,000 by the creation of an additional 750,000,000 shares of HK$0.01 each.

(d) On 4 April 2001, a total of 326,096,964 shares of HK$0.01 each were allotted as fully paid to the shareholders on the register of members of Luks Industrial Company Limited at the close of business on 3 April 2001 in the proportion of one share in the Company for one share in Luks Industrial Company Limited. Also, the 10,000,000 share allotted and issued nil paid on 7 December 2000 were credited as fully paid out of the contributed surplus account arising from the above issue of shares. Dealings in the Company's shares on the Stock Exchange was commenced on 4 April 2001.

(e) During the year, 330,000 share options were exercised at the subscription price of HK$0.65 per share, resulting in the issue of 330,000 new ordinary shares of HK$0.01 each for a total cash consideration before expenses of HK$215,000.

(f) During the year, 253,192 warrants were exercised at a subscription price of HK$0.90 per share, resulting in the issue of 253,192 new ordinary shares of HK$0.01 each for a total cash consideration before expense of HK$228,000.

36. SHARE CAPITAL (Cont'd)

(g) Pursuant to a general mandate permitting the re-purchase by the Company of its own shares, a total of 20,258,000 shares was re-purchased on the Hong Kong Stock Exchange and these shares were subsequently cancelled by the Company. Further details of the re-purchase of own shares are included in the "Purchase, redemption or sale of listed securities of the Company" section of the Report of the Directors.

A summary of the above changes in the issued share capital of the Company as follows:

	Notes	No. of shares	Par value
		'000	*HK$'000*
Shares allotted and issued nil paid on 7 December 2000	(b)	10,000	–
Shares issued as consideration for the acquisition of the Luks Industrial Company Limited	(d)	326,097	3,261
Application of contributed surplus to pay up nil paid shares	(d)	–	100
Share options exercised	(e)	330	3
Warrants exercised	(f)	253	3
Share re-purchase	(g)	(20,258)	(203)
Balance at 31 December 2001		316,422	3,164

Share options

The Company operates a share option scheme (the ''Scheme''), further details of which are set out under the heading ''Share Option Scheme'' in the Report of the Directors.

At 1 January 2000, the Group's former listed holding company, now a 100% wholly owned intermediate holding company, Luks Industrial Company Limited ("LICL") had 15,230,000 and 5,800,000 outstanding share options which entitled the holders to subscribe in cash for fully paid ordinary shares in LICL at subscription prices of HK$0.65 per share and HK$0.98 per share, respectively. A total of 740,000 share options at a subscription price of HK$0.65 per share were exercised during that year.

36. SHARE CAPITAL (Cont'd)

At 31 December 2000, LICL had the following outstanding share options:

Date of options granted	Option price	Number of shares	Exercisable period
29 June 1999	0.65	14,490,000	15 July 1999 to 22 June 2002
30 December 1999	0.98	5,800,000	15 January 2000 to 22 June 2002

The outstanding share options of LICL as at 31 December 2000 were cancelled and replaced by the same number of new share options of the Company granted under the new share option scheme. The exercise prices of the options remained unchanged and the new share option scheme will remain in force for a period from 4 April 2001 to 11 August 2004.

A total of 330,000 share options were exercised during the year at an exercise price of HK$0.65 per share.

At the balance sheet date, the Company had 19,960,000 share options outstanding under the new scheme, with exercise periods from 4 April 2001 to 11 August 2004 and exercise prices ranging from HK$0.65 to HK$0.98 per share. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 19,960,000 additional shares of HK$0.01 each and proceeds of approximately HK$14,888,000.

Warrants

During the year, a bonus issue of warrants was made in the proportion of one warrant for every five shares held by members on the register of members on 8 June 2001, resulting in 65,172,592 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK$0.01 from the date of issue to 17 June 2004, at a subscription price of HK$0.90 subject to adjustment per share, payable in cash.

During the year, 253,192 warrants were exercised for the subscription of 253,192 shares of HK$0.01 each at the exercise price of HK$0.90 per share. At the balance sheet date, the Company had 64,919,400 warrants outstanding, and the exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 64,919,400 additional shares of HK$0.01 each.

37. RESERVES

Group

	Share Premium	Contributed surplus*	Capital reserve##	Reserve funds#	Investment property revaluation reserve	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2000	–	939,165	33,535	12,807	8,585	(82,324)	555,626	1,467,394
Exchange realignments	–	–	1	(7)	–	(9,627)	–	(9,633)
Realisation on disposal of subsidiaries	–	–	1,064	(172)	–	5,445	–	6,337
Realisation on disposal of other investments	–	–	(2,285)	(1,725)	–	1,811	–	(2,199)
Deficit on revaluation of investment properties	–	–	–	–	(8,585)	–	–	(8,585)
Arising from re-purchase of shares	–	(4,648)	–	–	–	–	–	(4,648)
Net loss for the year	–	–	–	–	–	–	(666,142)	(666,142)
At 31 December 2000 and beginning of year	–	934,517	32,315	10,903	–	(84,695)	(110,516)	782,524
Exchange realignments	–	–	–	–	–	6,532	–	6,532
Realisation on disposal of a subsidiary	–	–	–	–	–	11	–	11
Realisation on disposal of other investments	–	–	(1,898)	(1,378)	–	1,349	–	(1,927)
Acquisition of a subsidiary	–	–	–	–	60,602	(2,934)	–	57,668
Surplus on revaluation of investment properties	–	–	–	–	138	–	–	138
Premium arising on exercise on subscription rights:–								
Warrants	225	–	–	–	–	–	–	225
Share options	211	–	–	–	–	–	–	211
Arising from repurchase of shares	–	(18,052)	–	–	–	–	–	(18,052)
Interim dividend	–	(25,575)	–	–	–	–	–	(25,575)
Proposed final dividend	–	–	–	–	–	–	(30,579)	(30,579)
Net profit for the year	–	–	–	–	–	–	36,462	36,462
At 31 December 2001	436	890,890	30,417	9,525	60,740	(79,737)	(104,633)	807,638

37. RESERVES (Cont'd)

	Share Premium	Contributed surplus*	Capital reserve##	Reserve funds#	Investment property revaluation reserve	Exchange fluctuation reserve	Retained profits/ (accumulated losses)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Reserves retained in:								
Company and subsidiaries	436	890,890	11,810	–	60,740	(74,452)	63,496	952,920
Jointly-controlled entities	–	–	–	–	–	1,849	(165,328)	(163,479)
Associates	–	–	(872)	–	–	–	(2,801)	(3,673)
Investee companies	–	–	19,479	9,525	–	(7,134)	–	21,870
31 December 2001	436	890,890	30,417	9,525	60,740	(79,737)	(104,633)	807,638
Company and subsidiaries	–	934,517	11,810	–	–	(51,078)	24,873	920,122
Jointly-controlled entities	–	–	–	–	–	(25,133)	(130,825)	(155,958)
Associates	–	–	(872)	–	–	–	(4,564)	(5,436)
Investee companies	–	–	21,377	10,903	–	(8,484)	–	23,796
31 December 2000	–	934,517	32,315	10,903	–	(84,695)	(110,516)	782,524

37. RESERVES (Cont'd)

Company

	Share premium HK$'000	Contributed surplus** HK$'000	Accumulated losses HK$'000	Total HK$'000
Arising on issue of shares for the acquisition of the entire issued share capital of Luks Industrial Company Limited (note 36)	–	782,827	–	782,827
Premium arising on exercise on subscription rights:–				
Warrants	225	–	–	225
Share options	211	–	–	211
Arising from repurchase of shares	–	(18,052)	–	(18,052)
Net loss of the year	–	–	(3,556)	(3,556)
Interim dividend	–	(25,575)	–	(25,575)
Proposal final dividend	–	(30,579)	–	(30,579)
	436	708,621	(3,556)	705,501

* The contributed surplus of the Group derives from the difference between the nominal value of the Company's shares issued to acquire the issued share capital of Luks Industrial Company Limited pursuant to the Group Reorganisation, and the consolidated net asset value of Luks Industrial Company Limited so acquired. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to shareholders under certain prescribed circumstances.

** The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), a company may make distributions to its members out of the contributed surplus in certain circumstances.

\# Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's associates and jointly-controlled entities in the PRC has been transferred to various reserve funds which may only be utilised by the Group in accordance with the relevant legislation.

\#\# HK$11,813,000 of negative goodwill which arose on acquisitions prior to 1 January 2001, remains credited to the Group's capital reserve, as further detailed in note 19 to the financial statements.

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK$'000	*HK$'000*
Profit/(loss) from operating activities	**81,116**	(620,407)
Interest income	**(22,823)**	(25,237)
Dividend income from other investments	**(2,416)**	–
Loss on disposal of fixed assets	**–**	144
Loss on disposal of subsidiaries	**1,893**	201
Loss on disposal of associates	**704**	–
Depreciation	**23,937**	22,966
Exchange adjustment	**9,079**	8,189
Provision for doubtful debts	**–**	28,774
Provision for claim on cost of land use right	**–**	10,586
Provision for slow-moving and obsolete stock	**–**	50
Impairment of fixed assets	**10,327**	–
Impairment/(written back impairment) of interests in jointly-controlled entities, net	**(26,890)**	29,853
Impairment of interests in associates	**–**	3,726
Impairment of properties under development	**641**	–
Impairment of investment security	**11,153**	12,179
Loss on disposal of other investments	**31,081**	172,236
Unrealised holding (gain)/loss on other investments	**(86,362)**	367,000
(Surplus)/ deficit arising from revaluation of investment properties	**(699)**	699
Decrease/(increase) in trade receivables	**(2,156)**	140
Increase in other receivables, prepayments and deposits	**(54,730)**	(40,920)
Decrease/(increase) in inventories	**(1,644)**	333
Increase in amounts due from associates	**(2,405)**	(3,695)
Decrease in trust receipts and bills payable, secured	**–**	(53,891)
Decrease in trade payables	**(10,032)**	(17,573)
Increase in other payables and accruals	**945**	182
Increase/(decrease) in amount due to a related party	**(120)**	40
Net cash outflow from operating activities	**(39,401)**	(104,425)

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year

	Share capital, share premium and contributed surplus	Bank loans	Finance lease payables	Guaranteed notes	Due to directors	Minority interests
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Balance at 1 January 2000	942,577	105,229	1,341	29,725	13,376	6,879
Exchange realignments	–	(1,587)	–	–	–	–
Net cash inflow/(outflow) from financing activities	(4,694)	(5,457)	(1,341)	(29,725)	(13,376)	824
Disposal of a subsidiary	–	–	–	–	–	1,204
Proceeds from disposal of a subsidiary	–	(10,129)	–	–	–	–
Share of loss after tax of subsidiaries	–	–	–	–	–	(2,364)
Balance at 31 December 2000	937,883	88,056	–	–	–	6,543
Exchange realignments	–	(1,345)	–	–	–	–
Net cash inflow/(outflow) from financing activities	(17,818)	(6,853)	(216)	–	605	1,006
Inception of finance lease contract	–	–	1,298	–	–	–
Disposal of subsidiaries	–	–	–	–	–	(3,632)
Acquisition of a subsidiary	–	672	–	–	930	–
Interim dividend	(25,575)	–	–	–	–	–
Share of profit after tax of subsidiaries	–	–	–	–	–	3,513
Balance at 31 December 2001	894,490	80,530	1,082	–	1,535	7,430

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(c) Major non-cash transactions

During the year 2001, the Group entered into finance lease arrangements in respect of fixed assets with a total capital value at the inception of the leases of HK$1,298,000.

During the year 2000, the Group disposed the entire equity interests in Luks Technology Development Company Limited to TCL Overseas Holdings Limited at a total consideration of HK$10,690,000 which was satisfied by setting off of the loan due to it.

(d) Acquisition of a subsidiary

	2001
	HK$'000
Net assets acquired:	
Fixed assets	**4,565**
Investment properties	**312,000**
Cash and bank balances	**5,107**
Trade receivables	**4,779**
Other receivables, prepayments and deposits	**160**
Trade payables	**(1,947)**
Other payables and accruals	**(7,130)**
Due to a director	**(930)**
Bank loans	**(672)**
Due to a holding company	**(300,206)**
Rental deposits	**(7,516)**
	8,210
Goodwill on acquisition	**18,422**
	26,632
Satisfied by:	
Reclassification to interest in a subsidiary from interest in a jointly-controlled entity	**(25,634)**
Written back impairment of interests in jointly-controlled entities	**31,791**
Cash consideration	**4,265**
Other payables and accruals	**16,210**
	26,632

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(d) Acquisition of a subsidiary (Cont'd)

As the acquisition of the subsidiary was effective on 31 December 2001, its acquisition had no effect on the Group's cash flows for the year ended 31 December 2001, other than the HK$842,000 net inflow of cash and cash equivalents detailed above, and no effect on the Group's turnover or profit for the year.

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary.

	2001 ***HK$'000***
Cash consideration	**(4,265)**
Cash and bank balances acquired	**5,107**
	842

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(e) Disposal of subsidiaries

	2001	2000
	HK$'000	*HK$'000*
Net assets disposed of:		
Fixed assets	**12,214**	5,386
Cash and bank balances	**–**	561
Trade receivables	**–**	1,311
Other receivables, prepayment and deposits	**–**	2,277
Inventories	**–**	6,087
Due from a related party	**–**	2,264
Trade payables	**–**	(7,966)
Other payables and accruals	**(5,124)**	(1,567)
Due to a related party	**(29,656)**	(4,957)
Minority interests	**(3,632)**	1,204
	(26,198)	4,600
Forfeiture of amounts due from subsidiaries	**29,656**	773
Realisation of reserves attributable to the disposal of subsidiaries	**–**	5,518
	3,458	10,891
Loss on disposal of subsidiaries	**(1,893)**	(201)
	1,565	10,690
Satisfied by:		
Other loans	**–**	10,690
Cash consideration	**1,565**	–
	1,565	10,690

Analysis of net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries:

	2001	2000
Cash consideration	**1,565**	–
Cash and bank balances disposed of	**–**	(561)
	1,565	(561)

38. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(e) Disposal of subsidiaries: (Cont'd)

In respect of the cash flows for the years ended 31 December 2001 and 2000, the subsidiaries disposed of during the years made no contribution to the Group's net operating cash inflows and had no impact in respect of the cash flows for investing activities, financing activities, net returns on investments and servicing of finance or tax.

The results of the subsidiaries disposed of during the years ended 31 December 2001 and 2000 had no impact on the turnover or the consolidated profit/(loss) from operating activities for the years.

39. OPERATING LEASE ARRANGEMENTS

The Group leases its investment properties (note 17 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 5 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Within one year	**21,957**	430
In the second to fifth years, inclusive	**36,763**	45
	58,720	475

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in above. This disclosure was not previously required.

40. COMMITMENTS

In addition to the operating lease commitments detailed in note 39 above, the Group had the following capital commitments at the balance sheet date.

	Group	
	2001	2000
	HK$'000	*HK$'000*
Capital commitments	–	1,084
Capital contributions to:		
Associates	**2,282**	3,218
Jointly-controlled entities	–	66,061
	2,282	69,279
Total capital commitments	**2,282**	70,363

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

41. PLEDGES OF ASSETS

At the balance sheet date, the following assets were pledged to secure general banking/loan facilities granted to the Group:

(a) Certain of the Group's leasehold land and buildings situated in Hong Kong and Vietnam, with a net book value of approximately HK$78,150,000 (2000: HK$49,865,000).

(b) Certain of the Group's plant and machinery, with a net book value of approximately HK$148,517,000 (2000: HK$150,744,000).

(c) Certain of the Group's investment properties situated in Hong Kong, with a carrying value of approximately HK$63,930,000 (2000: HK$74,150,000).

(d) Certain floors of the Group's investment properties situated in Vietnam, with a carrying value of the whole block of properties of HK$312,000,000.

42. POST BALANCE SHEET EVENTS

(a) On 3 January 2002, the Group entered into a Share Purchase Agreement with Vigconic Biotechnology Company Limited ("VB"), which is beneficially owned by Mr. Luk King Tin, a director of the Company, to acquire 7,220 ordinary shares of Vigconic (International) Limited ("VI"), representing approximately 7.22% of the existing issued share capital of VI prior to the completion of the Share Subscription Agreement for a cash consideration of approximately HK$20,036,000. The Group also entered into a Share Subscription Agreement with VI to subscribe 3,090 new ordinary shares, representing approximately 3% of the enlarged issued share capital of VI, for a cash consideration of approximately HK$8,575,000.

Upon the Completion of these transactions, the Group hold approximately 10% of the enlarged issued share capital of VI.

(b) On 25 February 2002, the Group entered into an agreement with an independent third party to acquire 28 units of apartments in Shanghai for a cash consideration of HK$42,800,000. The agreement was completed on 5 March 2002.

43. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

		Group	
		2001	2000
	Notes	***HK$'000***	*HK$'000*
Jointly-controlled entity:			
Interest income	(i)	**20,691**	18,789
Investee companies:			
Sales of raw materials	(ii)	**299**	505
Purchases of finished goods	(iii)	**967**	1,683
Interest expense	(iv)	**–**	1,979
Directors:			
Interest expense	(v)	**337**	4,256
Purchase of fixed assets	(vi)	**–**	38,500

43. RELATED PARTY TRANSACTIONS (Cont'd)

Notes:

(i) Interest income was charged on a loans advanced to a jointly-controlled entity at 7% per annum.

(ii) The sales of raw materials to investee companies were charged at cost plus a margin.

(iii) The purchases of finished goods from investee companies were made according to the prices negotiated between the parties.

(iv) The loans advanced from investee companies bore interest at the rate of 2% over the Hong Kong prime rate.

(v) Interest expense was paid to the directors on the amounts due to them at the rate of 1.5% (2000: 2.75%) over the Hong Kong prime rate.

(vi) The purchase price was determined after negotiations with reference to independent professional valuation.

Details of the Group's loans from/(to) jointly-controlled entities, associates and directors are included in note 21, 22 and 28, respectively, to the financial statements.

During the year, the Group acquired the remaining 25% equity interest of Luk Land (Vietnam) Limited from the joint venture partner for a total cash consideration of approximately HK$11,895,000. Further details of the transaction are included in notes 20 and 38(d), and in the ''Connected transactions'' section of the Report of the Directors.

44. COMPARATIVE AMOUNTS

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

45. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 April 2002.