

GINTIAN INDUSTRY (GROUP) CO., LTD.
金田實業(集團)股份有限公司

Audited Financial Statements
For the year ended December 31, 2001

AUDITORS' REPORT TO THE SHAREHOLDERS OF

GINTIAN INDUSTRY (GROUP) CO., LTD.

(Incorporated in the Peoples' Republic of China with limited liability)

We have audited the consolidated accounts on pages 3 to 20 of Gintian Industry (Group) Co., Ltd. (the "Company") and its subsidiaries (together with the Company referred to as the "Group") for the year ended December 31, 2001. These consolidated accounts are the responsibilities of the Group's directors. Our responsibility is to express an opinion on these consolidated accounts based on our audit.

We conducted our audit in accordance with International Standards on Auditing as promulgated by the International Federation of Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the accounts are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the accounts. An audit also includes assessing the accounting principles used and significant estimates made by directors, as well as evaluating the overall accounts presentation. However, the evidence available to us was limited in connection with the followings:

1. As at December 31, 2001, the Group's accumulated losses amounted to RMB1,329,603,000 (2000: RMB1,346,164,000). Current liabilities exceeded current assets by RMB1,334,083,000 (2000: RMB1,436,046,000) whilst bank loans of RMB887,004,000 (2000: RMB872,004,000) have been overdue for repayment. Currently, the majority of the banks have undertaken legal action against the Group as the Group is unable to pay its debts as they fall due. These raise substantial doubts as to whether the Group can be operated as a going concern. Accordingly, it might not be appropriate for the financial statements to be prepared on a going concern basis. Should the Company be unable to continue to operate on the basis which is dependent on the outcome of negotiations for continuing bank financing and the outcome of the litigation cases being in the process, adjustments would have to be made to reduce the value of assets to their recoverable amounts, to provide for any further liabilities which might arise, and to reclassify non-current assets and long-term liabilities as current assets and liabilities. Currently, these have not yet been reflected in the consolidated financial statements for the year ended December 31, 2001. Consequently, we are unable to ascertain the impact of these adjustments to the net assets and net losses of the Group.
2. As at December 31, 2001, properties under development amounted to RMB359,068,000, of which an amount of approximately RMB22,600,000 (2000: RMB112,978,000) have already been under custody of the banks since July 2000 whilst an amount of RMB35,669,000 (2000: RMB37,759,000) is not properly supported by the legal evidence so that we are unable to conclude the ownerships. As the Group does not have sufficient working capital, the construction work of the remaining balance of RMB300,799,000 has been suspended and there is no plan set by the management as to when the construction work is to be resumed. As there was no satisfactory evidence available that we can ascertain the net realizable values of these properties under development, we are unable to determine with reasonable certainty about the realizable values of these balances.

AUDITORS' REPORT TO THE SHAREHOLDERS OF

GINTIAN INDUSTRY (GROUP) CO., LTD. - CONTINUED

(Incorporated in the Peoples' Republic of China with limited liability)

3. As at December 31, 2001, the Group has received over 68 legal claims which are in the process in different courts in the PRC. The parties which undertook the legal claims against the Group are mainly banks, construction contractors and customers and these claims mainly relate to the bank loans overdue for repayments, the outstanding construction fee and the sales of properties. The total amounts under legal proceedings against the Group are approximately RMB896,730,000. No provision has been accounted for in the financial statements of the Group. We are unable to ascertain the outcome and the impact of these legal claims on the financial statements.
4. As mentioned in note 9 to the financial statements, during the year, the Group recognized a gain of RMB103,905,000 which derived from the disposals of subsidiaries (which had been written off in the previous years). In accordance with the sales agreements, the disposals of these subsidiaries are subject to the re-organization plan, which is still being under process. Should the re-organization plan not be proceeded, the purchasers of these subsidiaries have the rights to return these subsidiaries to the Group and have the right to collect the amounts paid to the Group. We consider that this income should be deferred until the re-organization is finalized.
5. As mentioned in the preceding paragraph 1, bank loans of RMB887,004,000 (2000: RMB872,004,000) have been overdue for repayment. The Group has not yet accrued for the overdue bank interest totaling RMB54,334,000. In our opinion, this amount should be accrued in the financial statements.

Because of the significance of the potential impacts of the matters as referred to in the preceding paragraphs, we are unable to form an opinion as to whether the consolidated accounts give a true and fair view of the state of affairs of the Group as at December 31, 2001, and of the profit and the cash flows of the Group for the year then ended in accordance with the International Accounting Standards as promulgated by the International Accounting Standards Committee.

GLASS RADCLIFFE CHAN

Certified Public Accountants
Hong Kong, April 28, 2002

GINTIAN INDUSTRY (GROUP) CO., LTD
金田實業(集團)股份有限公司

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Notes</u>	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
Turnover	4	36,607	85,633
Cost of sales		<u>(40,845)</u>	<u>(80,371)</u>
Gross (loss)/profit		(4,238)	5,262
Other revenue less other expenses		13,551	6,547
Administrative expenses		(26,720)	(710,681)
Distribution costs		<u>(1,816)</u>	<u>(1,530)</u>
Loss from operations	6	(19,223)	(700,402)
Finance costs	7	(58,566)	(62,973)
Non-operating income less expenses		(11,884)	(18,686)
Income/(Loss) from investments	8	2,330	(28,445)
Gain on disposals of subsidiaries	9	<u>103,904</u>	<u>-</u>
Profit / (Loss) before taxation		16,561	(810,506)
Taxation	10	<u>-</u>	<u>-</u>
Profit/(Loss) attributable to shareholders		<u>16,561</u>	<u>(810,506)</u>
Earnings/(Loss) per share			
Basic and diluted	11	<u>RMB0.05</u>	<u>(RMB2.43)</u>

As the only component of recognized gains and losses is the net profit for the year, a separate statement in this respect is not provided.

GINTIAN INDUSTRY (GROUP) CO., LTD
金田實業(集團)股份有限公司

CONSOLIDATED BALANCE SHEET
AT DECEMBER 31, 2001

	<u>Notes</u>	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
ASSETS			
Non-current assets			
Fixed assets	12	246,198	244,427
Construction in progress		-	199
Interests in associates	14	54,083	77,793
Long term investments	15	37,633	111,003
Deferred assets		-	4,686
		<u>337,914</u>	<u>438,108</u>
Current assets			
Inventories	16	389,767	225,103
Trading securities	17	22,435	25,435
Accounts receivable, other receivables and prepayments		441,610	300,008
Other assets		122	-
Cash and bank balances		7,061	11,245
		<u>860,995</u>	<u>561,791</u>
Current liabilities			
Short term loans	18	919,642	953,962
Tax payable		48,565	47,645
Receipts in advance and other payables		698,125	654,490
Accruals and accounts payable		528,746	323,740
Current portion of long term liabilities		-	18,000
		<u>2,195,078</u>	<u>1,997,837</u>
Net current liabilities		<u>(1,334,083)</u>	<u>(1,436,046)</u>
Total assets less current liabilities		<u>(996,169)</u>	<u>(997,938)</u>
Non-current liabilities			
Long-term loans		-	14,792
Net liabilities		<u>(996,169)</u>	<u>(1,012,730)</u>
CAPITAL AND RESERVES			
Share capital	19	333,434	333,434
Reserves	20	(1,329,603)	(1,346,164)
		<u>(996,169)</u>	<u>(1,012,730)</u>

Approved by the Board of Directors on

DIRECTOR

DIRECTOR

GINTIAN INDUSTRY (GROUP) CO., LTD
金田實業(集團)股份有限公司

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2001

	<u>Notes</u>	<u>2001</u> <u>RMB'000</u>
Net cash inflow from operating activities	21	<u>(77,859)</u>
Investing activities		
Dividends received		134
Receipts from sales of fixed assets		4,454
Receipts from sales of trading securities		2,530
Acquisition of fixed assets		(8,555)
Disposal of interest in subsidiary companies		<u>200,985</u>
Net cash inflow from investing activities		<u>199,548</u>
Financing activities		
Interest paid		(58,761)
Repayments of short-term bank loans	22	(52,320)
Repayments of long-term bank loans	22	<u>(14,792)</u>
Net cash used in financing activities		<u>(125,873)</u>
Net decrease in cash and cash equivalents		(4,184)
Cash and cash equivalents at beginning of year		<u>11,245</u>
Cash and cash equivalents at end of year		<u><u>7,061</u></u>
Analyze of the balance of cash and cash equivalents		
Bank balances and cash		<u>7,061</u>

Note: As management do not present the information for the restated cash flow statement for the year ended December 31, 2000, no comparative figures are provided.

GINTIAN INDUSTRY (GROUP) CO., LTD
金田實業(集團)股份有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

1. CORPORATION INFORMATION

Gintain Industry (Group) Co., Ltd. ("the Company") was incorporated in 1988 in the People's of Republic China ("PRC") and was restructured as a stock limited company in 1989. The Company issued A and B shares in 1989 and 1993 respectively in the Shenzhen Stock Exchange.

The principal activities of the Company and its subsidiaries (together with the Company referred to as the "Group") are property development and management, sale and manufacture of floppy disks and trade of merchandises.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with International Accounting Standards ("IAS") as if these standards had been applied consistently throughout the year. This basis of accounting differs from that used in the management accounts of the Group companies which were prepared in accordance with generally accepted accounting principles and relevant financial regulations in the PRC ("PRC GAAP"). Adjustments have been made for compliance with IAS but will not be recognized in the books of the companies within the Group.

3. PRINCIPAL ACCOUNTING POLICIES

The following principal accounting policies are adopted by the Group in preparing the financial statements to comply with IAS:

(a) Basis of consolidation

The group accounts comprise the accounts of the Company and all its subsidiaries made up to December 31. All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

Minority interests represent the interests of outside shareholders in the operation results and net assets of subsidiaries.

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.

The group accounts also include the Group's share of post acquisition profits less losses, and reserves, of its associated companies.

(b) Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than half of the voting power or issued share capital or controls the composition of the board of directors.

GINTIAN INDUSTRY (GROUP) CO., LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

3. PRINCIPAL ACCOUNTING POLICIES – (continued)

(c) Interests in associates

An associate is an enterprise, not being a subsidiary or a joint venture, in which the Group has a long-term equity interest and is in a position to exercise significant influence in its management.

The consolidated profit and loss account includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are initially reflected at cost and are subsequently adjusted for post-acquisition changes in the Group's share of the net assets of its associates, plus any goodwill not yet written off or amortized. The carrying amount of such interests is reduced to recognize any decline, other than a temporary decline, in the value of individual investments. Investment in associated companies are stated at cost less provision for permanent diminution in value and the results of the associated companies are accounted for by the Company on the basis of dividends received and receivable.

Where the Group transacts with its associates, unrealized profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealized losses provide evidence of an impairment of the asset transferred, in which case those unrealized losses are not eliminated.

(d) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation and any provisions for impairment losses required to reflect recoverable amounts. Costs represent the purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. Subsequent expenditure is capitalized when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the enterprise. All other subsequent expenditure, such as repairs and maintenance and overhaul costs, is recognized as an expense in the period in which it is incurred.

Depreciation is provided to write off the cost of fixed assets less their estimated residual values over their anticipated useful lives, on the straight-line method. Estimated useful lives are summarized as follows: -

Land and buildings	14-35years
Leasehold improvements	5 years
Plant and machinery	10 years
Electronic equipment	5 years
Motor vehicles	5-6 years
Furniture, fixtures and office equipment	5 years

When tangible fixed assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

GINTIAN INDUSTRY (GROUP) CO., LTD
金田實業(集團)股份有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

3. PRINCIPAL ACCOUNTING POLICIES – (continued)

(d) Fixed assets and depreciation – (continued)

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalized and depreciated over their expected remaining useful lives to the Group.

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

(e) Investments

(i) Long term investments

Long term investments, which are held for long term, are stated at cost less provision for diminution in value other than temporary in nature.

(ii) Trading securities

Trading securities are carried at market value determined on an individual basis. Reductions to market value and reversals of such reductions are recognized in profit and loss account as they arise.

(f) Properties held for/under development and completed properties held for sales

Properties held for/under development and completed properties held for sales are stated at cost less net realizable value. Cost includes land use rights, construction cost and development costs, and interest capitalized during the development period and other direct costs. Net realizable value is the estimated selling price less related expenses in the normal course of business.

(g) Inventories

Inventories are stated the lower of cost and net realizable value. Costs, which comprise all costs of purchase, are calculated using the first-in first-out method. Net realizable value represents the estimated selling prices less all estimated costs of completion and selling expenses.

(h) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalized as part of the cost of those assets. Capitalization of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalized. All other borrowing costs are recognized as an expense in the period in which they are incurred.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

3. PRINCIPAL ACCOUNTING POLICIES – (continued)

(i) Revenue recognition

Revenue from sale of property is recognized when sales agreements are signed between the Group and the customers, deposits are received in full amount from the customers and the relevant risks and rewards were transferred to the customers.

Revenue from the sale of goods is recognized upon the transfer of risks and rewards of ownership.

Rental income under operating leases is recognized on a straight line basis over the term of the relevant lease.

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

Dividend income from investments is recognized when the right to receive payment has been established.

(j) Retirement benefit costs

The Group participates in retirement schemes operated by local authorities and the annual cost of providing retirement benefits is charged to the consolidated profit and loss account according to the contribution determined by the relevant schemes.

(k) Taxation

The charge for taxation is based on the result for the year as adjusted for items, which are non-assessable or disallowable. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognized in the accounts. The tax effect of timing difference, computed using the liability method, is recognized in accounts to the extent in its probable a liabilities or an asset will crystallize in the foreseeable future.

(l) Foreign currencies translation

The Company and its major subsidiaries maintain their books and records in Renminbi ('Rmb'). Transactions in foreign currencies are translated at exchange rates quoted by the People's Bank of China at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated into Rmb at the exchange rate quoted by the People's Bank of China at the balance sheet date. All exchange differences are dealt with in the profit and loss account.

The accounts of subsidiaries and associated companies expressed in foreign currencies are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with as movement in reserves.

GINTIAN INDUSTRY (GROUP) CO., LTD
金田實業(集團)股份有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

3. PRINCIPAL ACCOUNTING POLICIES – (continued)

(m) Operating leasing

Leases where substantially all the rewards and risks of ownership of assets remain with the lessors are accounted for as operating leases.

Rentals income and expenses under operating leases are credited and charged respectively to the consolidated profit and loss account on a straight-line basis over the term of the relevant lease.

(n) Cash and cash equivalents

Cash and cash equivalents comprise 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 advances.

(o) 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 an asset or liability is expected to be payable or receivable in the foreseeable future.

4. TURNOVER

An analysis of the Group's turnover by principal activities for the year ended December 31, 2001 is as follows:

	<u>2001</u>	Restated <u>2000</u>
	RMB'000	RMB'000
By activities:		
Sale of properties	7,450	39,239
Sale of manufacturing goods	13,887	21,920
Property management services	7,103	7,162
Trading income	<u>8,167</u>	<u>17,312</u>
Total revenue	<u><u>36,607</u></u>	<u><u>85,633</u></u>

GINTIAN INDUSTRY (GROUP) CO., LTD
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

For management purposes, the Group is organized into three major operating divisions – property, trading, and management services. The divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Property	- construction, sales and leasing of properties
Manufacturing	- manufacturing and sale of floppy disks
Property management services	- management income from management of properties
Trading	- sale of general merchandise

All Group's businesses are carried out in the PRC.

Segment information about these businesses for the year ended December 31, 2001 is presented below:

	Sales of properties and management services RMB'000	Trading RMB'000	Manufacturing RMB'000	Eliminations RMB'000	2001 Consolidated RMB'000
Revenue					
External sales	14,553	8,167	13,887	-	36,607
Inter-segment sales		10,602		(10,602)	-
Total revenue	<u>14,553</u>	<u>18,769</u>	<u>13,887</u>	<u>(10,602)</u>	<u>36,607</u>

Inter-segment sales are charged on terms as determined by the directors.

	Sales of properties and management services RMB'000	Trading RMB'000	Manufacturing RMB'000	Eliminations RMB'000	2001 Consolidated RMB'000
RESULTS					
Segment results	<u>(1,243)</u>	<u>(23)</u>	<u>(2,972)</u>	<u>-</u>	<u>(4,238)</u>
Operating expenses and unallocated corporate expenses					(14,973)
Operating loss					(19,211)
Finance costs					(64,722)
Non-operating income less expenses					(11,885)
Income from investments					2,330
Gain on disposals of subsidiaries					103,905
Profit before tax					<u>10,417</u>
Taxation					-
Net profit for the year					<u>10,417</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

5. BUSINESS AND GEOGRAPHICAL SEGMENTS – (continued)

Segment information about these businesses for the year ended December 31, 2000 is presented below:

	Sales of properties and management services RMB'000	Trading RMB'000	Manufacturing RMB'000	Eliminations RMB'000	2001 Consolidated RMB'000
Revenue					
External sales	46,401	17,312	21,920	-	85,633
Inter-segment sales	-	11,900	-	(11,900)	-
Total revenue	<u>46,401</u>	<u>29,212</u>	<u>21,920</u>	<u>(11,900)</u>	<u>85,633</u>

Inter-segment sales are charged on terms as determined by the directors.

	Sales of properties and management services RMB'000	Trading RMB'000	Manufacturing RMB'000	Eliminations RMB'000	Restated 2000 Consolidated RMB'000
RESULTS					
Segment results	<u>2,275</u>	<u>2,602</u>	<u>385</u>	<u>-</u>	<u>5,262</u>
Operating expenses and unallocated corporate expenses					(542,805)
Operating loss					(537,543)
Finance costs					(62,973)
Non-operating income less expenses					(18,686)
Income from investments					(11,233)
Loss before tax					(630,435)
Taxation					-
Loss for the year					<u>(630,435)</u>

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

6. LOSS FROM OPERATIONS

Loss from operations has been arrived at after charging and crediting:

	<u>2001</u>	Restated <u>2000</u>
	RMB'000	RMB'000
After charging:		
Provision for doubtful debts	36,626	143,073
Depreciation		
- owned fixed assets (note 12)	22,116	14,816
Provision for inventories	605	45,350
Staff costs	10,133	9,157
Provision for diminution in value of investment	<u>-</u>	<u>7,071</u>
And after crediting:		
Bad or doubtful debts written back	<u>46,301</u>	<u>1,523</u>

7. FINANCE COSTS

	<u>2001</u>	Restated <u>2000</u>
	RMB'000	RMB'000
Interest paid	58,761	63,072
Interest income	<u>(195)</u>	<u>(99)</u>
	<u>58,566</u>	<u>62,973</u>

8. INCOME / (LOSS) FROM INVESTMENTS

	<u>2001</u>	Restated <u>2000</u>
	RMB'000	RMB'000
Dividends from equity investments	2,330	-
Provision for diminution in value of investments	<u>-</u>	<u>(28,445)</u>
	<u>2,330</u>	<u>(28,445)</u>

9. GAIN ON DISPOSALS OF SUBSIDIARIES

During the year, the company sold some of its subsidiaries, a majority of which has been written off in the previous years, for a consideration of RMB107,163,000. These disposals resulted a gain of RMB103,904,000.

10. TAXATION

In accordance with the relevant income taxation laws applicable to enterprises in Shenzhen Special Economic Zone, The Company and its subsidiaries are subject to income tax rate of 15% on its assessable profit except for Shenzhen Gintian Magnetic Technology Co., Ltd., a subsidiary, which is granted a 50% exemption from income taxation for the current year and therefore PRC income tax is provided at the rate of 7.5% on the estimated taxable income for the year. No deferred taxes have been provided in the financial statements, as there are no material timing differences.

GINTIAN INDUSTRY (GROUP) CO., LTD
金田實業(集團)股份有限公司

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2001

11. EARNINGS/(LOSS) PER SHARE

The calculation of earnings per share is based on the Group's profit attributable to shareholders of RMB16,561,000 (2000: Loss of RMB810,506,000) and the 333,434,000 (2000: 333,434,000) shares in issue during the year.

12. FIXED ASSETS

	Land and Buildings RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Leasehold improvements RMB'000	Electronic equipment RMB'000	Plant and machinery RMB'000	Total RMB'000
COST							
At January 1, 2001	270,370	5,734	8,712	-	5,708	61,830	352,354
Additions	7,315	82	857	-	4	-	8,258
Disposals	(6,500)	(1)	(1,117)	-	-	-	(7,618)
Transferred from inventories	14,804	-	-	-	-	-	14,804
Transferred from deferred assets	-	-	-	5,182	-	-	5,182
At December 31, 2001	<u>285,989</u>	<u>5,815</u>	<u>8,452</u>	<u>5,182</u>	<u>5,712</u>	<u>61,830</u>	<u>372,980</u>
DEPRECIATION							
At January 1, 2001	48,896	5,285	7,791	-	5,051	40,904	107,927
Charged for the year	14,308	217	397	1,167	153	5,874	22,116
Eliminated on disposals	(2,202)	(11)	(1,048)	-	-	-	(3,261)
At December 31, 2001	<u>61,002</u>	<u>5,491</u>	<u>7,140</u>	<u>1,167</u>	<u>5,204</u>	<u>46,778</u>	<u>126,782</u>
NET BOOK VALUES							
At December 31, 2001	<u>224,987</u>	<u>324</u>	<u>1,312</u>	<u>4,015</u>	<u>508</u>	<u>15,052</u>	<u>246,198</u>
At December 31, 2000	<u>221,474</u>	<u>449</u>	<u>921</u>	<u>-</u>	<u>657</u>	<u>20,926</u>	<u>244,427</u>

As at December 31, 2001, land and buildings with net book value of RMB87,507,000 (2000: RMB89,878,000) have been pledged to the banks to secure general banking facilities for the Company and its subsidiaries (see note 23).

13. PRINCIPAL SUBSIDIARIES

As at December 31, 2001 details of principal subsidiaries are as follows:

<u>Name of subsidiary</u>	<u>Group's attributable equity interest</u>		<u>Principal activity</u>	<u>Place of incorporation</u>
	<u>Direct</u>	<u>Indirect</u>		
	%	%		
Shenzhen Gintian Magnetic Technology Co., Ltd.	75	25	Floppy disks manufacturing	PRC
Shenzhen Gintian Real Estate Development Co., Ltd.	100		Property development	PRC
Shenzhen Gintian Property Management Co., Ltd.	100		Property management	PRC
Shenzhen Gintian Import and Export Co., Ltd.	100		Import and export trading	PRC
Shenzhen Gintian Building Property Management Co., Ltd.	100		Property management	PRC

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14. INTERESTS IN ASSOCIATES

	<u>2001</u>	Restated <u>2000</u>
	RMB'000	RMB'000
Cost of investment	93,391	93,391
Share of post-acquisition results, net of dividends received	<u>(26,973)</u>	<u>(26,973)</u>
	66,418	66,418
Amounts due from / (to) associates	(9,409)	14,301
Provision for diminution in value	<u>(2,926)</u>	<u>(2,926)</u>
	<u>54,083</u>	<u>77,793</u>

Details of the principal associates at December 31, 2001 are as follows:

<u>Name of associate</u>	Group's attributable <u>equity interest</u> Direct %	<u>Principal activity</u>	Place of <u>incorporation</u>
Yantai Ginda Real Estate Development Co., Ltd.	37	Real estate and development	PRC
Peiking Gintian Investment Co., Ltd.	50	Investment	PRC
Fuoshan Kangman Foodstuff Co., Ltd.	25	Food Manufacturing	PRC
Xiamen Jinsong Property Development Co., Ltd.	50	Property development	PRC
Zhenzhen Hluikang Gintian Supermarket Co., Ltd.	49	Retailing	PRC
Hubei Gintian Commerce Industry and Agriculture Co., Ltd.	34	Manufacturing and trading of cotton	PRC
Dalian Gintian Lianyi Real Estate Property Development Co., Ltd.	45	Real estate and development	PRC
上海金企咨询有限公司	50	Property development	PRC
深圳市灰狗巴士有限公司	50	Transportation service	PRC
濰坊開發區金田實業公司	30	Property development	PRC

15. LONG TERM INVESTMENTS

	<u>2001</u>	Restated <u>2000</u>
	RMB'000	RMB'000
Unlisted equity investments at cost	874,010	874,010
Provision for permanent diminution in value	<u>(34,123)</u>	<u>(34,123)</u>
	839,887	839,887
Amounts due to unlisted equity investments	<u>(802,254)</u>	<u>(728,884)</u>
	<u>37,633</u>	<u>111,003</u>

16. INVENTORIES

	<u>2001</u>	Restated <u>2000</u>
	RMB'000	RMB'000
Properties under development held for sale	359,068	220,151
Completed properties held for sale	26,413	-
Raw materials	1,603	3,963
Work in progress	98	254
Finished goods	2,510	668
Consumables	75	67
	<u>389,767</u>	<u>225,103</u>

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16. INVENTORIES – (continued)

Included in the properties under development are an amount of approximately RMB22,600,000 (2000: RMB112,978,000) which have already been under custody of the banks since July 2000 and an amount of RMB35,669,000 (2000: RMB37,759,000) which is under the title of a third party.

As the Group does not have sufficient working capital, the construction work of the remaining balance of RMB300,799,000 has been suspended and there is no plan set by the management as to when the construction work is to be resumed.

As at December 31, 2001, completed properties held for sale with a carrying value of RMB13,388,000 (2000: RMB13,388,000) have been pledged to the banks to secure general banking facilities for the subsidiaries (see note 23).

17. TRADING SECURITIES

	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
Listed securities, at market value	<u>22,435</u>	<u>25,435</u>

18. SHORT-TERM LOANS

	<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
Mortgaged bank loans	280,517	307,424
Guaranteed bank loans	607,987	614,871
Other unsecured loans	31,138	31,667
	<u>919,642</u>	<u>953,962</u>

Mortgaged and guaranteed bank loans are secured by the Group's assets and bear interest at prevailing bank rates ranging from 5% to 12% (2000: 5% to 12%) per annum. Other unsecured loans bear interest at a rate of approximately 5% (2000: 5%) per annum.

Mortgaged bank loans and guaranteed bank loans of RMB887,004,000 have been overdue for repayment. Management of the Company is now in the process of negotiating with the banks to extend the repayment due date.

19. SHARE CAPITAL

	<u>2001</u> RMB'000	<u>2000</u> RMB'000
Registered, issued and fully paid:		
259,195,384 "A" share of RMB1 each	259,196	259,196
74,236,802 "B" share of RMB1 each	74,237	74,237
	<u>333,433</u>	<u>333,433</u>

All the shares rank pari passu with each other in all respects.

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20. RESERVES

	Statutory capital <u>reserve</u>	Public <u>welfare fund</u>	Surplus <u>fund</u>	Accumulated <u>losses</u>	<u>Total</u>
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Balance at January 1, 2001	622,946	-	1,023	(1,884,783)	(1,260,814)
Prior year adjustment	<u>(13,414)</u>	<u>21,214</u>	<u>612</u>	<u>(93,762)</u>	<u>(85,350)</u>
Restated	609,532	21,214	1,635	(1,978,545)	(1,346,164)
Net profit for the year	-	-	-	16,561	16,561
Transfer	<u>7,253</u>	<u>-</u>	<u>-</u>	<u>(7,253)</u>	<u>-</u>
Balance at December 31, 2001	<u>616,785</u>	<u>21,214</u>	<u>1,635</u>	<u>(1,969,237)</u>	<u>(1,329,603)</u>

Statutory reserve and statutory public welfare fund are maintained in accordance with the relevant laws and regulations in the PRC and form part of shareholders' equity.

Prior year adjustment relates to the reversals of profit recognized by a subsidiary company, Lingzhou Electric Power Factory, in the previous years. The results of this company had been consolidated accounts of the Group in the previous years. However, in 2002, it was held by Henan High Civil Court that the Company shall return the share of this company to the previous owner. Accordingly, the reversals of the results recognized in the previous years are accounted for as a prior year adjustment.

21. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	<u>2001</u> RMB' 000
Profit from ordinary activities before taxation	16,561
Adjustment for:	
Interest expenses	58,761
Interest income	(195)
Bad or doubtful debts written back	(46,301)
Dividend income	(134)
Provision for doubtful debts	36,626
Provision for inventories	605
Depreciation	22,116
Gain on disposal of subsidiaries	(103,905)
Gain on disposal of fixed assets	(97)
Loss on sales of trading securities	470
Operating cash flows before movements in working capital	<u>(15,493)</u>
Increase in inventories	(180,073)
Increase in accounts receivables, other receivables and prepayments	(131,927)
Increase in other current assets	(122)
Increase in accruals and accounts payables	205,006
Increase tax payable	920
Increase in receipts in advance and other payables	43,635
Cash generated from by operations	<u>(78,054)</u>
Interest received	197
Net cash inflow from operating activities	<u>(77,859)</u>

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22.	ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR		
		Short-term <u>bank loans</u> RMB'000	Long-term <u>bank loans</u> RMB'000
	Balance at January 1, 2001	1,118,890	32,792
	Reclassified of short-term loans due within 2-5 years	18,000	(18,000)
	Repayments of amounts borrowed	<u>(217,248)</u>	<u>(14,792)</u>
	Balance at December 31, 2001	<u><u>919,642</u></u>	<u><u>-</u></u>
23.	PLEDGE OF ASSETS		
	As at December 31, 2001, leasehold land and buildings with net book values of RMB87,507,000 (2000:RMB89,878,000) and completed properties held for sales of RMB13,388,000 (2000: RMB13,388,000) have been pledged to the banks for the general banking facilities granted to the Group.		
24.	CONTINGENT LIABILITIES		
		<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
	Guarantees given to banks in respect of bank facilities utilised by third parties	<u>338,700</u>	<u>410,200</u>
25.	OPERATING LEASES		
	(a) Leases as lessee		
	Non-cancelable operating leases are payable as follows:		
		<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
	Land and buildings		
	- expiring in the first year	813	1,253
	- expiring in the second to fifth years inclusive	1,886	2,612
	- expiring after the fifth year	<u>-</u>	<u>-</u>
		<u><u>2,699</u></u>	<u><u>3,865</u></u>
	(b) Leases as lessor		
	The Group leases out certain properties under non-cancelable operating leases. Rental income to be received is as follows:		
		<u>2001</u> RMB'000	Restated <u>2000</u> RMB'000
	Land and buildings		
	- expiring in the first year	342	-
	- expiring in the second to fifth years inclusive	604	1,478
	- expiring after the fifth year	<u>-</u>	<u>-</u>
		<u><u>946</u></u>	<u><u>1,478</u></u>

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26. LEGAL LITIGATION

As at December 31, 2001, the Group has received over 68 legal claims which are in the process in different civil courts in the PRC. The parties which undertook the legal claims against the Group are mainly banks, construction contractors and customers and the claims mainly relate to the bank loans overdue for repayments, the outstanding construction fee and the sale of properties. The total amounts under legal proceedings against the Group are approximately RMB896,730,000 and no provision has been made in the financial statements of the Group.

27. IMPACT OF IAS ADJUSTMENTS ON PROFIT/LOSS

	Profit/(loss) for the year ended December 31,	
	2001	Restated 2000
	RMB'000	RMB'000
As reported in the financial statements prepared in accordance with PRC GAAP	11,521	(810,262)
Adjustments to align with IAS:		
Write-back /(Write-off) of deferred expenses	37	(244)
Additional depreciation	(1,746)	-
Provision for obsolete stocks	(606)	-
Capitalization of expenses	102	-
Disposals of subsidiaries	7,253	-
	<u>16,561</u>	<u>(810,506)</u>

28. IAS IMPACT ON CONSOLIDATED NET ASSETS

	December 31 Consolidated net assets	
	2001	Restated 2000
	RMB'000	RMB'000
As reported in financial statements prepared in accordance with PRC GAAP	(993,712)	(1,012,486)
Adjustments to align with IAS:		
Write back/(Write-off) of deferred expenses	37	(244)
Additional depreciation	(1,746)	-
Provision for obsolete stocks	(606)	-
Capitalization of expenses	102	-
Elimination of inter-company unrealized profit	(244)	-
	<u>(996,169)</u>	<u>(1,012,730)</u>

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29 CONTINGENT LIABILITIES

As mentioned in note 9 to the financial statements, during the year, the Group recognized a gain of RMB103,904,000 which derived from the disposals of subsidiaries (which had been written off in the previous years). In accordance with the sales agreements, the disposals of these subsidiaries are subject to the re-organization plan, which is being under process. Should the re-organization plan not be proceeded, the purchasers of these subsidiaries have the rights to return these subsidiaries to the Group and have the right to collect the amounts paid to the Group. The Directors are of the opinion that, in view of the current situation, the re-organization plan will proceed and is to be finalized by the end of 2002.

30 COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year's presentation of the financial statements.