

NOTES TO THE ACCOUNTS

1 PRINCIPAL ACCOUNTING POLICIES

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

(a) Basis of preparation of the accounts

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

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

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1st July 2000)
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 subsidiary companies

The relevant changes to the Group's principal accounting policies and the related effects of adopting these new or revised SSAPs are set out below.

(b) Basis of consolidation

The consolidated accounts include the accounts of Tai Sang Land Development Limited and its subsidiary companies made up to 31st December. Subsidiary companies are those entities in which the Group controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

The results of subsidiary companies acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

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

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiary companies.

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(c) Goodwill

Goodwill represents the excess of purchase consideration over the fair value of the Group's share of the net assets of subsidiary companies acquired at the date of acquisition.

Goodwill on acquisitions that occurred prior to 1st January 2001 was eliminated against reserves. This accounting policy has been changed to conform with SSAP 30. The Group has adopted the transition provisions in SSAP 30 and such goodwill has not been restated. In accordance with SSAP 30, goodwill on acquisitions occurring on or after 1st January 2001 is included in intangible assets and is amortised using the straight line method over its estimated useful life.

Where an indication of impairment exists, the carrying amount of goodwill, including goodwill previously eliminated against reserves, is assessed and written down immediately to its recoverable amount.

(d) Revenue recognition

The Group recognises income on the following bases:

(i) Rental income

Rental income is recognised on a straight line basis over the terms of the lease agreements.

(ii) Agency commission and management fees

Agency commission and management fees are recognised on an accrual basis.

(iii) Dividend income

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

(iv) Income on sale of goods

Income from the sale of goods is recognised on the transfer of risks and rewards of ownership, which generally coincides with the time when the goods are delivered to customers and title has passed.

(v) Income on sale of listed investments

Income on sale of listed investments is recognised when the title to the investments is passed to the purchaser.

(vi) Income on sale of properties

Income on sale of properties is recognised either upon the completion of the sale and purchase agreement or when the relevant project is completed which is determined by the issuance of occupation permit, whichever is later.

(vii) Interest income

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

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(e) Retirement benefit costs

The Group's contributions to the retirement benefit scheme which is defined contribution in nature and available to all employees in Hong Kong are expensed as incurred. The assets of the scheme are held separately from those of the Group in an independently administered fund.

(f) Fixed assets

(i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties held on leases with unexpired periods greater than 20 years are valued annually by professional valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation reserve. Decreases are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to the profit and loss account. Any subsequent increases are credited to the profit and loss account up to the amount previously debited.

Investment properties held on leases with unexpired periods of 20 years or less are depreciated over the remaining portion of the leases.

Upon the disposal of an investment property, the relevant portion of the revaluation reserve realised in respect of previous valuation is released from the investment properties revaluation reserve to the profit and loss account.

(ii) Properties under development

Properties under development are investments in land and buildings on which construction work has not been completed. The investments are carried at cost or carrying amount (for fixed assets transferred from investment properties into this category for redevelopment) which includes development and construction expenditure incurred and interest and other direct costs attributable to the development less any impairment losses.

Carrying amount of assets transferred from investment properties into this category for redevelopment represents amount recorded under their original classification. Upon sale or reclassification back to investment properties, any previous revaluation reserve on the property frozen in the investment properties revaluation reserve at the time of reclassification, will be transferred to the profit and loss account or unfrozen.

No depreciation is provided on properties under development.

(iii) Other properties

Other properties are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost less accumulated impairment losses of buildings on a straight line basis over 40 years. Land is depreciated on a straight line basis over the remaining unexpired period of the lease.

1 **PRINCIPAL ACCOUNTING POLICIES (Continued)**

(f) Fixed assets (Continued)

(iv) Other fixed assets

Other fixed assets, comprising plant and machinery, furniture and equipment, leasehold improvements and motor vehicles, are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is provided on a reducing balance basis at 10% to 20% per annum after charging an initial depreciation of 20% in the year of acquisition.

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

(v) Impairment and gain or loss on sale

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in properties under development, other properties and other fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss account.

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

(g) Land and buildings for resale

Land and buildings for resale are stated at the lower of cost and net realisable value. Cost comprises land cost, development expenditure, professional fees and interest capitalised. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

Properties reclassified from properties under development upon completion are stated at the lower of carrying amount and net realisable value. Carrying amount represents amount recorded under their original classification.

(h) Borrowing costs

Borrowing costs incurred for the financing of the development of properties that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised and included in the cost of properties under development.

Finance costs, which include arrangement fees, legal fees and other related costs, directly associated with the arrangement of long term bank loans, are deferred and amortised over the terms of the loans.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

1 **PRINCIPAL ACCOUNTING POLICIES (Continued)**

(i) Investment securities

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

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

This impairment loss is written back to profit and loss account when the circumstances and events that led to the write-downs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

(j) Operating leases

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

(i) Assets held for use in operating leases

Where the Group lease out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(f) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(d) above.

Direct costs incurred specifically to earn revenues from an operating lease are deferred and allocated to income over the lease term in proportion to the recognition of the lease income.

(ii) Operating lease charges

When the Group has the use of assets under operating leases, rental payments applicable to such operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease periods.

(k) Translation of foreign currencies

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

The balance sheets of overseas subsidiary companies, expressed in foreign currencies, are translated at rates of exchange ruling at the balance sheet date whilst profit and loss accounts are translated at an average rate. Exchange differences arising therefrom are dealt with as a movement in reserves.

(l) Trade debtors

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

(m) Inventories

Inventories are stated at the lower of cost and net realisable value and are calculated on the first-in, first-out basis. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

1 PRINCIPAL ACCOUNTING POLICIES (Continued)

(n) Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, bank deposits with maturity within three months from the date of placement, bank overdrafts and short term bank loans with maturity within three months from the date of draw down.

(o) Provisions

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

(p) Contingent liabilities and contingent assets

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

A contingent liability is not recognised but is disclosed in the notes to the accounts. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

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

Contingent assets are not recognised but are disclosed in the notes to the accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

(q) Deferred taxation

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

(r) Dividends

In accordance with the revised SSAP 9, the Group no longer recognises dividends proposed or declared after the balance sheet date as a liability at the balance sheet date. This change in accounting policy has been applied retrospectively so that the comparatives presented have been restated to conform to the changed policy.

As detailed in note 21, this change has resulted in an increase in the Group's and the Company's opening retained profits at 1st January 2001 by HK\$23,013,574 (1st January 2000: HK\$20,136,877) which is the reversal of the provision for 2000 (1999) proposed final dividend of the Company previously recorded as a liability as at 31st December 2000 (1999) although not declared until after the balance sheet date.

This change has also resulted in a decrease in the Company's opening retained profits at 1st January 2001 by HK\$37,005,758 (1st January 2000: HK\$40,277,442) which is the reversal of the accrual for 2000 (1999) proposed final dividend of the subsidiary companies, previously included in amounts due by subsidiary companies as at 31st December 2000 (1999) although not declared after the balance sheet date.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION

- (a) The Group is principally engaged in investment holding, property investment, property rental, property development, estate management and agency and distribution of golf accessories. Revenues recognised during the year are as follows:

	2001	2000
	HK\$	HK\$
Turnover		
Property rental	183,834,131	181,215,060
Property sales	6,600,000	63,900,000
Property related services	9,558,594	9,591,294
Others	2,454,952	2,008,287
	<u>202,447,677</u>	<u>256,714,641</u>

- (b) Operating lease arrangement

The future aggregate minimum lease receivables under non-cancellable operating leases are as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Land and buildings				
Not later than one year	160,577,000	146,209,000	8,789,000	7,289,000
Later than one year but not later than five years	207,600,000	210,169,000	12,364,000	1,626,000
Later than five years	12,420,000	29,072,000	—	—
	<u>380,597,000</u>	<u>385,450,000</u>	<u>21,153,000</u>	<u>8,915,000</u>

- (c) In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format. The Group is organised into three main business segments, namely property rental, property sales and property related services, and operates in Hong Kong and North America.

There are no sales between the geographical segments.

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting format - business segments

	2001				
	Property rental	Property sales	Property related services	Others	Group
	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover					
Total revenue	183,834,131	6,600,000	13,587,407	2,454,952	206,476,490
Inter-segment revenue	—	—	(4,028,813)	—	(4,028,813)
External revenue	<u>183,834,131</u>	<u>6,600,000</u>	<u>9,558,594</u>	<u>2,454,952</u>	<u>202,447,677</u>
Segment results	<u>121,290,929</u>	<u>6,163,198</u>	<u>5,768,412</u>	<u>(2,193,486)</u>	<u>131,029,053</u>
Unallocated costs					(43,482,657)
Operating profit					87,546,396
Finance costs					(28,355,054)
Profit before taxation					59,191,342
Taxation					(5,831,999)
Profit after taxation					53,359,343
Minority interests					(2,847,984)
Profit attributable to shareholders					<u>50,511,359</u>
Segment assets	2,236,067,974	139,975,333	8,211,167	49,029,441	2,433,283,915
Unallocated assets					196,845,137
Total assets					<u>2,630,129,052</u>
Segment liabilities	346,917,085	26,962,852	9,414,778	1,109,196	384,403,911
Unallocated liabilities					176,895,787
Minority interests					84,976,257
Deferred gain					22,682,533
					<u>668,958,488</u>
Capital expenditure	43,301,798	—	—	6,715,206	50,017,004
Depreciation and amortisation	1,035,089	—	7,322	7,400,365	8,442,776
Net revaluation deficit charged to investment properties (taken to reserves)	138,546,640	—	—	—	138,546,640

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Primary reporting formant - business segments

	2000				
	Property rental	Property sales	Property related services	Others	Group
	HK\$	HK\$	HK\$	HK\$	HK\$
Turnover					
Total revenue	181,215,060	63,900,000	13,975,467	2,008,287	261,098,814
Inter-segment revenue	—	—	(4,384,173)	—	(4,384,173)
External revenue	<u>181,215,060</u>	<u>63,900,000</u>	<u>9,591,294</u>	<u>2,008,287</u>	<u>256,714,641</u>
Segment results	<u>117,297,966</u>	<u>47,716,708</u>	<u>5,900,957</u>	<u>2,008,287</u>	<u>172,923,918</u>
Unallocated costs					(41,946,661)
Operating profit					130,977,257
Finance costs					(33,974,348)
Profit before taxation					97,002,909
Taxation					(8,695,656)
Profit after taxation					88,307,253
Minority interests					(2,838,868)
Profit attributable to shareholders					<u>85,468,385</u>
Segment assets	2,322,388,893	136,542,721	8,229,359	33,848,450	2,501,009,423
Unallocated assets					215,871,976
Total assets					<u>2,716,881,399</u>
Segment liabilities	339,898,095	26,255,543	9,164,343	74,637	375,392,618
Unallocated liabilities					130,484,171
Minority interests					84,900,793
Deferred gain					22,682,533
					<u>613,460,115</u>
Capital expenditure	5,332,809	—	—	891,516	6,224,325
Depreciation	1,220,629	—	9,152	4,255,488	5,485,269
Net revaluation surplus credited to investment properties (taken to reserves)	20,221,212	—	—	—	20,221,212

2 TURNOVER, REVENUE AND SEGMENT INFORMATION (Continued)

Secondary reporting format - geographical segments

	Turnover		Segment results		Total assets		Capital expenditure	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Hong Kong	139,248,397	139,611,386	94,869,667	91,194,350	2,138,277,388	2,146,050,214	46,504,920	5,316,662
North America	63,199,280	117,103,255	36,159,386	81,729,568	491,851,664	570,831,185	3,512,084	907,663
	<u>202,447,677</u>	<u>256,714,641</u>	<u>131,029,053</u>	<u>172,923,918</u>	<u>2,630,129,052</u>	<u>2,716,881,399</u>	<u>50,017,004</u>	<u>6,224,325</u>

3 OPERATING PROFIT

	2001	2000
	HK\$	HK\$
Operating profit is stated after crediting and charging the following:		
Crediting		
Gross rental income from		
- investment properties	164,426,497	161,891,782
- other properties	19,407,634	19,323,278
Dividend income from listed investments	1,072,550	1,054,753
Interest income	2,107,115	2,631,155
Gain on disposal of investment properties, including realisation on investment properties revaluation reserve	6,163,198	1,120,000
Gain on disposal of listed investments	—	24,484
	<u>183,177,094</u>	<u>186,045,452</u>
Charging		
Amortisation of goodwill	1,614,410	—
Auditors' remuneration	2,004,836	1,478,592
Provision for doubtful debts	2,636,490	314,821
Cost of goods sold	425,246	—
Cost of sales of land and buildings for resale	—	15,803,292
Depreciation	6,828,366	5,485,269
Loss on disposal of other fixed assets	140,674	192,366
Outgoings in respect of		
- investment properties	27,319,120	29,613,145
- other properties	3,807,005	4,059,163
Operating lease rental for land and buildings	1,713,671	1,763,171
Retirement benefit costs (note 4)	680,315	83,372
Staff costs (excluding directors' emoluments)	26,343,792	23,727,815
	<u>47,373,489</u>	<u>40,030,583</u>

4 RETIREMENT BENEFIT COSTS

The Group provided long service payments for all its permanent full time employees in Hong Kong before the Mandatory Provident Fund Scheme (the "MPF" Scheme) which was set up on 1st December 2000. The long service payments were provided for by the Group in accordance with the Employment Ordinance in Hong Kong.

With effect from 1st December 2000, the Group has set up the MPF Scheme, which is defined contribution in nature, for all the eligible employees of the Group in Hong Kong. The contributions from the employees and employer are made to the MPF Scheme and the Group has no longer made provision to the long service payment.

The assets of the MPF Scheme are held separately from those of the Group managed by an independent administrator.

5 FINANCE COSTS

	<u>2001</u>	<u>2000</u>
	HK\$	HK\$
Interest expenses		
- bank loans and overdrafts wholly repayable within five years	22,168,464	24,682,816
- bank loans not wholly repayable within five years	6,144,520	8,534,489
Other incidental borrowing costs	872,139	757,043
	<u>29,185,123</u>	<u>33,974,348</u>
Amount capitalised in properties under development	(830,069)	—
	<u>28,355,054</u>	<u>33,974,348</u>

6 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

Directors' emoluments

The aggregate amount of emoluments paid to the directors of the Group during the year are as follows:

	<u>2001</u>	<u>2000</u>
	HK\$	HK\$
Fees	321,400	321,400
Salaries, housing and other allowances, benefits in kind	15,561,703	15,438,716
Bonuses	2,079,372	2,331,400
Contributions to the MPF Scheme	60,000	5,000
	<u>18,022,475</u>	<u>18,096,516</u>

6 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS (Continued)

Emoluments band	Number of directors	
	2001	2000
HK\$ Nil - HK\$1,000,000	6	6
HK\$1,000,001 - HK\$1,500,000	1	1
HK\$1,500,001 - HK\$2,000,000	1	1
HK\$2,500,001 - HK\$3,000,000	1	1
HK\$10,000,001 - HK\$10,500,000	1	1

The fees paid by the Group to the independent non-executive directors for the year amounted to HK\$212,000 (2000: HK\$212,000).

The above analysis includes three (2000: three) individuals whose emoluments were among the five highest paid individuals in the Group.

Senior management's emoluments

Details of the aggregate emoluments payable to the other two (2000: two) individuals whose emoluments were among the five highest in the Group and which have not been included in directors' emoluments above are as follows:

	2001	2000
	HK\$	HK\$
Salaries, housing and other allowances, benefits in kind	5,750,860	5,556,000
Bonuses	553,820	483,600
Contributions to the MPF Scheme	24,000	2,000
	<u>6,328,680</u>	<u>6,041,600</u>

Emoluments band	Number of individuals	
	2001	2000
HK\$2,000,001 - HK\$2,500,000	1	1
HK\$3,500,001 - HK\$4,000,000	—	1
HK\$4,000,001 - HK\$4,500,000	1	—

During the year, no emoluments had been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. No directors waived or agreed to waive any emoluments during the year.

7 TAXATION

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year. Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

The amount of taxation charged to the consolidated profit and loss account represents:

	2001	2000
	HK\$	HK\$
Hong Kong profits tax	6,171,759	7,248,738
(Over)/under provision in prior years	(339,760)	3,918
Overseas taxation	—	1,443,000
	<u>5,831,999</u>	<u>8,695,656</u>

A subsidiary company has been enquired by the Inland Revenue Department in Hong Kong concerning the taxability of profits arising from its sale of certain properties in 1997. The potential additional tax liability is estimated to be approximately HK\$29.8 million. The directors consider that the profit arising from sales of these properties is capital in nature and not subject to profits tax. Hence, no provision for this potential liability has been made in these accounts.

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Deferred taxation for the year has not been (credited)/charged in respect of the following:				
<i>Hong Kong:</i>				
Accelerated depreciation allowances	1,939,000	1,124,000	56,000	7,000
Tax losses	(1,611,000)	(2,915,700)	(1,128,000)	(231,000)
	<u>328,000</u>	<u>(1,791,700)</u>	<u>(1,072,000)</u>	<u>(224,000)</u>
<i>Overseas:</i>				
Accelerated depreciation allowances	414,000	415,000	—	—
Tax losses	416,000	16,876,000	—	—
	<u>830,000</u>	<u>17,291,000</u>	<u>—</u>	<u>—</u>

8 PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$33,712,424 (2000: HK\$47,646,602).

9 DIVIDENDS

	<u>2001</u>	<u>2000</u>
	HK\$	HK\$
Interim, paid, of HK9 cents (2000: HK10 cents) per ordinary share	25,890,271	28,766,968
Special, paid, of HKNil cent (2000: HK5 cents) per ordinary share	—	14,383,484
Final, proposed, of HK7 cents (2000: HK8 cents) per ordinary share	20,136,877	23,013,574
	<u>46,027,148</u>	<u>66,164,026</u>

Notes:

- (a) The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts for the years ended 31st December 1999 and 2000 were HK\$20,136,877 and HK\$23,013,574 respectively. Under the Group's new accounting policy as described in note 1(r), these have been written back against opening retained profits as at 1st January 2000 and 2001 (note 21) and are now charged in the year in which they were proposed.
- (b) At a meeting held on 27th March 2002 the directors declared a final dividend of HK7 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained profits for the year ending 31st December 2002.

10 EARNINGS PER SHARE

The calculation of earnings per share is based on profit attributable to shareholders of HK\$50,511,359 (2000: HK\$85,468,385) and on 287,669,676 (2000: 287,669,676) ordinary shares in issue during the year.

11 GOODWILL

	<u>2001</u>	<u>2000</u>
	HK\$	HK\$
Acquisition of business and related assets (note)	8,072,049	—
Amortisation charge	(1,614,410)	—
At 31st December	<u>6,457,639</u>	<u>—</u>

Note:

Goodwill represents the excess of purchase consideration in respect of the acquisition of the business and related assets of digital video equipment and software tools for golf teaching from a third party of HK\$9,605,162 over its net assets acquired of HK\$1,533,113. The goodwill is amortised using straight line method over its estimated useful life of 5 years.

12 FIXED ASSETS

Group

	Leasehold land and buildings in Hong Kong			Overseas freehold land and buildings		Total
	Investment properties	Properties under development	Other properties	Investment properties	Other fixed assets	
	HK\$	HK\$	HK\$	HK\$	HK\$	
Cost or valuation						
At 1st January 2001	1,671,050,000	204,629,633	95,067,160	524,160,000	54,260,459	2,549,167,252
Additions	502,282	38,753,313	—	2,604,358	8,157,051	50,017,004
Disposals	(6,000,000)	—	—	—	(5,781,316)	(11,781,316)
Revaluation deficit	(44,682,282)	—	—	(93,864,358)	—	(138,546,640)
At 31st December 2001	1,620,870,000	243,382,946	95,067,160	432,900,000	56,636,194	2,448,856,300
Accumulated depreciation						
At 1st January 2001	—	—	12,963,124	—	36,211,144	49,174,268
Charge for the year	—	—	2,266,433	—	4,561,933	6,828,366
Disposals	—	—	—	—	(4,043,044)	(4,043,044)
At 31st December 2001	—	—	15,229,557	—	36,730,033	51,959,590
Net book value						
At 31st December 2001	1,620,870,000	243,382,946	79,837,603	432,900,000	19,906,161	2,396,896,710
At 31st December 2000	1,671,050,000	204,629,633	82,104,036	524,160,000	18,049,315	2,499,992,984
The analysis of the cost or valuation as at 31st December 2001 of the above assets is as follows:						
At cost	—	153,382,946	95,067,160	—	56,636,194	305,086,300
At professional valuation 1998 (note)	—	90,000,000	—	—	—	90,000,000
At professional valuation 2001	1,620,870,000	—	—	432,900,000	—	2,053,770,000
	1,620,870,000	243,382,946	95,067,160	432,900,000	56,636,194	2,448,856,300
The analysis of the cost or valuation as at 31st December 2000 of the above assets is as follows:						
At cost	—	114,629,633	95,067,160	—	54,260,459	263,957,252
At professional valuation 1998 (note)	—	90,000,000	—	—	—	90,000,000
At professional valuation 2000	1,671,050,000	—	—	524,160,000	—	2,195,210,000
	1,671,050,000	204,629,633	95,067,160	524,160,000	54,260,459	2,549,167,252

Note:

Properties under development of carrying amount of HK\$90,000,000 as at 31st December 2001 (2000: HK\$90,000,000) were transferred from investment properties in 1999. The carrying amount represented the valuation of the properties as at 31st December 1998.

12 FIXED ASSETS (Continued)

Company

	Leasehold land and buildings in Hong Kong		
	Investment properties	Other fixed assets	Total
	HK\$	HK\$	HK\$
Cost or valuation			
At 1st January 2001	127,000,000	6,821,307	133,821,307
Additions	—	1,285,344	1,285,344
Disposals	—	(617,959)	(617,959)
Revaluation deficit	(1,000,000)	—	(1,000,000)
	<u>126,000,000</u>	<u>7,488,692</u>	<u>133,488,692</u>
At 31st December 2001	126,000,000	7,488,692	133,488,692
Accumulated depreciation			
At 1st January 2001	—	4,307,115	4,307,115
Charge for the year	—	555,315	555,315
Disposals	—	(353,379)	(353,379)
	<u>—</u>	<u>4,509,051</u>	<u>4,509,051</u>
At 31st December 2001	—	4,509,051	4,509,051
Net book value			
At 31st December 2001	<u>126,000,000</u>	<u>2,979,641</u>	<u>128,979,641</u>
At 31st December 2000	<u>127,000,000</u>	<u>2,514,192</u>	<u>129,514,192</u>
The analysis of the cost or valuation as at 31st December 2001 of the above assets as follows:			
At cost	—	7,488,692	7,488,692
At professional valuation 2001	126,000,000	—	126,000,000
	<u>126,000,000</u>	<u>7,488,692</u>	<u>133,488,692</u>
The analysis of the cost or valuation as at 31st December 2000 of the above assets as follows:			
At cost	—	6,821,307	6,821,307
At professional valuation 2000	127,000,000	—	127,000,000
	<u>127,000,000</u>	<u>6,821,307</u>	<u>133,821,307</u>

12 FIXED ASSETS (Continued)

- (a) Certain of the Group's investment properties with an aggregate net book value of HK\$1,648,243,000 (2000: HK\$1,659,160,000) have been pledged to financial institutions to secure credit facilities for the Group totalling HK\$678,086,000 (2000: HK\$574,276,200) of which HK\$495,112,037 (2000: HK\$433,557,472) were utilised as at 31st December 2001.
- (b) The investment properties in Hong Kong of the Group and the Company were valued on an open market basis at 31st December 2001 by A A Property Services Limited, an independent professional property valuer.
- (c) The Group's overseas investment properties were valued on an open market basis at 31st December 2001 by Mr David K Bohegian, Member of The Appraisal Institute, of Martorana Bohegian & Company.
- (d) The interests in investment properties, properties under development and other properties at their net book values are analysed as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
In Hong Kong, held on:				
Leases of over 50 years	322,500,000	331,900,000	11,000,000	12,000,000
Leases of between 10 and 50 years	1,621,590,549	1,625,883,669	115,000,000	115,000,000
Outside Hong Kong, held on:				
Freehold	432,900,000	524,160,000	—	—
	<u>2,376,990,549</u>	<u>2,481,943,669</u>	<u>126,000,000</u>	<u>127,000,000</u>

13 SUBSIDIARY COMPANIES

	2001	2000
	HK\$	HK\$ (Restated)
Unlisted shares, at cost less provision of HK\$70,326,003 (2000: HK\$70,326,003)	58,675,768	58,675,768
Amounts due by subsidiary companies less provision of HK\$181,306,573 (2000: HK\$181,306,573)	684,020,239	693,211,081
Amounts due to subsidiary companies	742,696,007 (44,288,157)	751,886,849 (37,272,849)
	<u>698,407,850</u>	<u>714,614,000</u>

Details of principal subsidiary companies as at 31st December 2001, which, in the directors' opinion, materially affect the results and/or assets of the Group, are set out in note 27.

14 INVESTMENT SECURITIES

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Equity securities, at cost				
Listed in Hong Kong	18,420,371	18,420,371	12,649	12,649
Listed overseas	2,556,577	2,556,577	71,632	71,632
	20,976,948	20,976,948	84,281	84,281
Provision	(61,570)	(61,570)	(9,312)	(9,312)
	20,915,378	20,915,378	74,969	74,969
Unlisted (note)	12,000,000	12,000,000	—	—
	32,915,378	32,915,378	74,969	74,969
Market value of listed investments at 31st December	32,825,940	38,357,891	241,654	286,055

Note:

Unlisted investment represents a 12% equity interest in The Yangtze Ventures Limited which is principally engaged in the investments of biochemical and high technology industries.

15 DEBTORS AND PREPAYMENTS

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Trade debtors	6,284,145	3,887,172	—	—
Prepayments and deposits	13,788,262	11,002,180	775,345	443,365
Other debtor, net of provision	2,500,000	—	—	—
	22,572,407	14,889,352	775,345	443,365

The trade debtors represent rental and management fee receivables and are on open account terms.

At 31st December 2001, the ageing analysis of the trade debtors was as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Current	5,095,859	3,573,343	—	—
31-60 days	1,030,354	61,172	—	—
61-90 days	—	73,336	—	—
Over 90 days	157,932	179,321	—	—
	6,284,145	3,887,172	—	—

16 CREDITORS AND ACCRUALS

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Trade creditors	3,132,879	5,197,281	744,286	657,225
Other creditors	21,218,589	23,434,189	2,250,629	5,468,280
Accruals	9,810,887	11,269,535	6,527,718	6,640,311
	<u>34,162,355</u>	<u>39,901,005</u>	<u>9,522,633</u>	<u>12,765,816</u>

At 31st December 2001, the ageing analysis of the trade creditors was as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Current	2,039,183	4,192,229	560,138	655,004
31-60 days	549,971	376,047	175,017	—
61-90 days	4,410	—	4,410	—
Over 90 days	539,315	629,005	4,721	2,221
	<u>3,132,879</u>	<u>5,197,281</u>	<u>744,286</u>	<u>657,225</u>

17 SHORT TERM BANK LOANS AND BANK OVERDRAFTS - SECURED

The short term bank loans and bank overdrafts of the Group and Company of HK\$101,315,900 (2000: HK\$42,100,272) and HK\$4,251,303 (2000: HK\$4,088,904) respectively are secured by certain investment properties and rental income thereon of the Group.

18 LONG TERM BANK LOANS - SECURED

	Group	
	2001	2000
	HK\$	HK\$
Bank loans		
- wholly repayable within five years	288,796,137	273,457,200
- not wholly repayable within five years	105,000,000	118,000,000
	<u>393,796,137</u>	<u>391,457,200</u>
Amounts due within one year included under current liabilities	(29,058,400)	(35,371,200)
	<u>364,737,737</u>	<u>356,086,000</u>
The maturity of the Group's long term liabilities is as follows:		
- within one year	29,058,400	35,371,200
- in the second year	29,276,800	115,558,400
- in the third to fifth years inclusive	290,960,937	170,527,600
- after the fifth year	44,500,000	70,000,000
	<u>393,796,137</u>	<u>391,457,200</u>

The Group's long term bank loans are secured on certain properties (note 12) and the rental income thereon.

19 DEFERRED GAIN

On 31st December 1997, Montgomery Lands, Incorporated ("Montgomery"), a wholly owned subsidiary company of the Company in the United States of America (the "USA"), acquired a then 60% interest in GYB Properties, Inc. ("GYB") from companies then owned by Mr. William Ma Ching Wai and Ms. Ruth Ma Ching Keung, directors of the Company (the "Vendors"), at a consideration of US\$450,000 (approximately HK\$3,510,000). The consideration was satisfied by promissory notes issued by Montgomery bearing interest of 8% per annum. The principal amount of the notes together with the interest were paid in full in 1999. In addition, Montgomery subscribed to an additional 20% interest in GYB on 30th December 1997, so that they held an aggregate 80% interest in GYB as at 31st December 1997. The remaining 20% interest in GYB continued to be held by the Vendors.

The considerations for the acquisition and subscription were arrived at after arm's length negotiations between GYB, Montgomery and the Vendors and were based on the fair market value of Montgomery's then 80% interest in GYB. The valuation of the interest in GYB was performed by Rowbotham & Co., LLP of San Francisco, the USA, an independent certified public accountant firm.

19 DEFERRED GAIN (Continued)

GYB's principal activity is investment holding in Goldman Investment Incorporated ("Goldman") and Yerba Buena Properties Inc. ("YBP"), both companies are incorporated in the USA. The two companies were then owned as to 80% by GYB and as to 20% by an independent third party. As at 31st December 1997, Goldman and YBP each owned a piece of land located at Country at Santa Clara, State of California, the USA, and had entered into contracts in August 1997 to sell the land to independent third parties. In 1998, the title to the two pieces of land was passed to the buyers and the sales of land were recognised in the consolidated profit and loss account. The sales proceeds on disposal of the land which amounted to US\$15,750,000 (approximately HK\$122,850,000) were equivalent to the cost to the Group and hence there was no profit or loss on disposal of the land in the consolidated accounts for the year ended 31st December 1998. The pre-tax gain on the sales was in aggregate about US\$12 million (approximately HK\$98 million) in the accounts of Goldman and YBP.

A significant reason for the transactions was to utilise approximately US\$12 million (approximately HK\$98 million) of Montgomery's tax losses brought forward from previous years for USA Federal and State income tax purposes, part of which may otherwise expire and may not be used to generate therefrom cash benefit to Montgomery. The tax losses of US\$12 million (approximately HK\$98 million) were fully utilised up to the year ended 31st December 1999.

Montgomery is to be indemnified by the Vendors as to any losses, claims, costs, expenses, demands, liabilities and/or obligations to the extent that the tax savings to Montgomery do not materialise as contemplated herein.

In 1998, GYB redeemed its 20% share capital from the independent third party. Goldman and YBP are now wholly owned subsidiary companies of GYB.

On 8th April 1999, the board of directors and shareholders of GYB approved the Plan of Complete Liquidation (the "Plan") of GYB. The Plan provides for the distribution by GYB to its shareholders of all of its assets (other than those retained to meet claims) forthwith and those remaining after payment of claims by mid-2003. The distributions made in 1998 were deemed to be liquidation distributions as provided in the preferred share provisions of the Articles of Incorporation of GYB. YBP and Goldman shall commence as soon as practicable to wind up and dissolve.

According to the Articles of Incorporation of GYB, in the event of its liquidation, the Vendors as holders of 9,000,000 preferred shares of GYB, are entitled to receive, prior and in preference to any distribution of any of the assets of GYB to the holders of GYB's common stock, an amount of US\$9,000,000 (HK\$70,200,000). An amount of US\$8,450,000 (HK\$65,910,000) was paid to the Vendors as interim liquidation distribution in 1998.

The remaining assets of GYB, after the discharge of all its liabilities and the final liquidation payment of US\$550,000 (HK\$4,290,000) to the Vendors in respect of their holding in the preferred shares, will be distributed to the Group and the Vendors in proportion to their percentage holdings in GYB's common stock.

The deferred gain in the consolidated balance sheet represents the estimated net cash benefit to the Group of the above transactions. Upon finalisation of the consideration for the aforementioned land sales and the redemption of the 20% share capital of each of Goldman and YBP in previous year, the estimate of the net cash benefit to the Group amounts to approximately HK\$22.7 million. The amount will only be realised as income of the Group when the tax filing has been confirmed by the Internal Revenue Services in the USA and this is estimated to be not earlier than year 2002.

20 SHARE CAPITAL

	2001	2000
	HK\$	HK\$
Authorised:		
400,000,000 ordinary shares of HK\$1 each	400,000,000	400,000,000
Issued and fully paid:		
287,669,676 ordinary shares of HK\$1 each	287,669,676	287,669,676

21 RESERVES

	Investment properties revaluation reserve	Share premium	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
<i>Group</i>					
At 1st January 2000, as previously reported	1,152,422,989	129,651,602	7,271,662	462,158,582	1,751,504,835
Effect on adopting SSAP 9 (revised) (note 1(r))	—	—	—	20,136,877	20,136,877
At 1st January 2000, as restated	1,152,422,989	129,651,602	7,271,662	482,295,459	1,771,641,712
Net surplus on revaluation of investment properties less minority interests' share	22,790,838	—	—	—	22,790,838
Realisation of revaluation reserve on sale of investment properties less minority interests' share	(531,001)	—	—	—	(531,001)
Exchange translation differences	—	—	(330,997)	—	(330,997)
Profit for the year	—	—	—	85,468,385	85,468,385
Dividends	—	—	—	(63,287,329)	(63,287,329)
At 31st December 2000	1,174,682,826	129,651,602	6,940,665	504,476,515	1,815,751,608
Representing:					
Reserves	1,174,682,826	129,651,602	6,940,665	481,462,941	1,792,738,034
2000 final dividend proposed (note 9)	—	—	—	23,013,574	23,013,574
	1,174,682,826	129,651,602	6,940,665	504,476,515	1,815,751,608

21 RESERVES (Continued)

	Investment properties revaluation reserve	Share premium	Exchange reserve	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$	HK\$
At 1st January 2001, as previously reported	1,174,682,826	129,651,602	6,940,665	481,462,941	1,792,738,034
Effect on adopting SSAP 9 (revised) (note 1(r))	—	—	—	23,013,574	23,013,574
At 1st January 2001, as restated	1,174,682,826	129,651,602	6,940,665	504,476,515	1,815,751,608
Net deficit on revaluation of investment properties less minority interests' share	(138,293,540)	—	—	—	(138,293,540)
Realisation of revaluation reserve on sale of investment properties	(5,563,198)	—	—	—	(5,563,198)
Exchange translation differences	—	—	(1,496)	—	(1,496)
Profit for the year	—	—	—	50,511,359	50,511,359
Dividends	—	—	—	(48,903,845)	(48,903,845)
At 31st December 2001	<u>1,030,826,088</u>	<u>129,651,602</u>	<u>6,939,169</u>	<u>506,084,029</u>	<u>1,673,500,888</u>
Representing:					
Reserves	1,030,826,088	129,651,602	6,939,169	485,947,152	1,653,364,011
2001 final dividend proposed (note 9)	—	—	—	20,136,877	20,136,877
	<u>1,030,826,088</u>	<u>129,651,602</u>	<u>6,939,169</u>	<u>506,084,029</u>	<u>1,673,500,888</u>

21 RESERVES (Continued)

	Investment properties revaluation reserve	Share premium	Retained profits	Total
	HK\$	HK\$	HK\$	HK\$
<i>Company</i>				
At 1st January 2000, as previously reported	118,500,942	129,651,602	330,150,449	578,302,993
Effects on adopting SSAP 9 (revised) (note 1(r))				
Proposed final dividend not declared before year end	—	—	20,136,877	20,136,877
Adjustment for final dividends not declared by subsidiary companies before year end	—	—	(40,277,442)	(40,277,442)
	<u>118,500,942</u>	<u>129,651,602</u>	<u>310,009,884</u>	<u>558,162,428</u>
At 1st January 2000, as restated	118,500,942	129,651,602	310,009,884	558,162,428
Deficit on revaluation of investment properties	(300,000)	—	—	(300,000)
Profit for the year	—	—	47,646,602	47,646,602
Dividends	—	—	(63,287,329)	(63,287,329)
	<u>118,200,942</u>	<u>129,651,602</u>	<u>294,369,157</u>	<u>542,221,701</u>
At 31st December 2000	<u>118,200,942</u>	<u>129,651,602</u>	<u>294,369,157</u>	<u>542,221,701</u>
Representing:				
Reserves	118,200,942	129,651,602	271,355,583	519,208,127
2000 final dividend proposed (note 9)	—	—	23,013,574	23,013,574
	<u>118,200,942</u>	<u>129,651,602</u>	<u>294,369,157</u>	<u>542,221,701</u>
At 1st January 2001, as previously reported	118,200,942	129,651,602	308,361,341	556,213,885
Effects on adopting SSAP 9 (revised) (note 1(r))				
Proposed final dividend not declared before year end	—	—	23,013,574	23,013,574
Adjustment for final dividends not declared by subsidiary companies before year end	—	—	(37,005,758)	(37,005,758)
	<u>118,200,942</u>	<u>129,651,602</u>	<u>294,369,157</u>	<u>542,221,701</u>
At 1st January 2001, as restated	118,200,942	129,651,602	294,369,157	542,221,701
Deficit on revaluation of investment properties	(1,000,000)	—	—	(1,000,000)
Profit for the year	—	—	33,712,424	33,712,424
Dividends	—	—	(48,903,845)	(48,903,845)
	<u>117,200,942</u>	<u>129,651,602</u>	<u>279,177,736</u>	<u>526,030,280</u>
At 31st December 2001	<u>117,200,942</u>	<u>129,651,602</u>	<u>279,177,736</u>	<u>526,030,280</u>
Representing:				
Reserves	117,200,942	129,651,602	259,040,859	505,893,403
2001 final dividend proposed (note 9)	—	—	20,136,877	20,136,877
	<u>117,200,942</u>	<u>129,651,602</u>	<u>279,177,736</u>	<u>526,030,280</u>

22 DEFERRED TAXATION

No provision for deferred taxation has been made in the accounts in respect of revaluation of investment properties in Hong Kong as the revaluation surplus arising therefrom does not constitute a timing difference for taxation purposes since any profit on sale would not, in the opinion of the directors, be subject to taxation.

Realisation of the surplus on revaluation of the Group's investment properties in the USA would give rise to a taxation liability in the USA. No provision has been made in the accounts for this liability as these properties are held for the long term and the directors have no intention to dispose of these properties in the foreseeable future.

Deferred taxation in respect of timing differences has not been recognised in the accounts, on the basis that there is no reasonable certainty of crystallisation in the foreseeable future.

An analysis of unprovided deferred tax liability/(asset) is as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
<i>Hong Kong:</i>				
Accelerated depreciation allowances	32,666,000	30,727,000	470,000	414,000
Tax losses	(12,137,000)	(10,526,000)	(4,421,000)	(3,293,000)
	<u>20,529,000</u>	<u>20,201,000</u>	<u>(3,951,000)</u>	<u>(2,879,000)</u>
<i>Overseas:</i>				
Accelerated depreciation allowances	20,522,000	20,108,000	—	—
Tax losses	(77,020,000)	(77,436,000)	—	—
	<u>(56,498,000)</u>	<u>(57,328,000)</u>	<u>—</u>	<u>—</u>

As at 31st December 2001, the Group's overseas subsidiary companies had tax losses carried forward for Federal and State income tax purposes of the USA amounting to HK\$234,000,000 (2000: HK\$234,700,000) and HK\$51,000,000 (2000: HK\$56,600,000) respectively. These tax losses have already excluded an amount of approximately US\$12 million (approximately HK\$98 million) which relates to the transactions as disclosed in note 19. The remaining tax losses are available to reduce future taxable income, if any, however, their deferred tax effect amounting to HK\$77,020,000 (2000: HK\$77,436,000) has not been accounted for as the losses would not, in the opinion of the directors, be utilised in the foreseeable future.

23 CONTINGENT LIABILITIES

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Guarantees to bankers for credit facilities granted to subsidiary companies	—	—	336,775,000	276,011,000
Other guarantees	1,181,000	1,181,000	1,181,000	1,181,000
	<u>1,181,000</u>	<u>1,181,000</u>	<u>337,956,000</u>	<u>277,192,000</u>

24 COMMITMENTS

(a) Capital commitments for fixed assets

	Group	
	2001	2000
	HK\$	HK\$
Contracted but not provided for		
- properties under development	5,603,000	5,967,000
- other fixed assets	2,241,000	764,000
	<u>7,844,000</u>	<u>6,731,000</u>

(b) Commitments under operating leases

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$	HK\$ (Restated)	HK\$	HK\$ (Restated)
Land and buildings				
- Not later than one year	861,974	1,285,632	861,974	1,285,632
- Later than one year but not later than five years	964,706	360,652	964,706	360,652
	<u>1,826,680</u>	<u>1,646,284</u>	<u>1,826,680</u>	<u>1,646,284</u>

The comparative figures of the future aggregate minimum lease payments under non-cancellable operating leases have been restated in accordance with SSAP 14 (revised), "Leases", issued by the HKSA.

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit to net cash inflow from operating activities

	2001	2000
	HK\$	HK\$
Operating profit	87,546,396	130,977,257
Amortisation of goodwill	1,614,410	—
Depreciation	6,828,366	5,485,269
Gain on disposal of listed investments	—	(24,484)
Gain on disposal of investment properties	(6,163,198)	(1,120,000)
Loss on disposal of other fixed assets	140,674	192,366
Interest and dividend income	(3,179,665)	(3,685,908)
(Increase)/decrease in land and buildings for resale	(1,027,342)	8,524,563
Increase in inventories	(1,138,143)	—
(Increase)/decrease in debtors and prepayments	(7,683,055)	5,608,217
Decrease in rental and other deposits	(923,069)	(4,211,450)
(Decrease)/increase in creditors and accruals	(4,484,873)	1,784,719
Effect of foreign exchange rate changes	(1,496)	(330,997)
Net cash inflow from operating activities	<u>71,529,005</u>	<u>143,199,552</u>

(b) Analysis of changes in financing during the year

	Long term bank loans	Minority interests
	HK\$	HK\$
Balance at 1st January 2000	402,641,200	87,612,730
Net cash outflow from financing	(11,184,000)	—
Minority interests' share of profit for the year	—	2,838,868
Dividends paid to minority interests	—	(2,542,180)
Minority interests' share of deficit on revaluation of investment properties	—	(2,569,626)
Minority interests' share of realisation of revaluation reserve on sale of investment properties	—	(438,999)
Balance at 31st December 2000	<u>391,457,200</u>	<u>84,900,793</u>
Balance at 1st January 2001	391,457,200	84,900,793
Net cash inflow from financing	2,338,937	—
Minority interests' share of profit for the year	—	2,847,984
Dividends paid to minority interests	—	(2,519,420)
Minority interests' share of deficit on revaluation of investment properties	—	(253,100)
Balance at 31st December 2001	<u>393,796,137</u>	<u>84,976,257</u>

25 NOTES TO CONSOLIDATED CASH FLOW STATEMENT (Continued)

(c) Purchase of business and related assets

	<u>2001</u>	<u>2000</u>
	HK\$	HK\$
Assets acquired		
Inventories	1,533,113	—
Goodwill (note 11)	8,072,049	—
	<u>9,605,162</u>	<u>—</u>
Satisfied by		
Cash	<u>9,605,162</u>	<u>—</u>

The business and related assets acquired during the year did not contribute significant cash flows to the Group.

26 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 27th March 2002.

27 PRINCIPAL SUBSIDIARY COMPANIES

At 31st December 2001, the Company had the following principal subsidiary companies. Montgomery Lands, Incorporated, Central Financial Management Company Inc, Goldman Investments Incorporated, GYB Properties, Inc., MLI Business Management, Inc., Yerba Buena Properties, Inc. and Montgomery Golf Corporation are incorporated and operate in the North America. All other subsidiary companies are incorporated and operate in Hong Kong.

Name	Percentage of issued capital held By		Ordinary share capital		Principal activities
	By Company	subsidiary company	Number	Par value per share	
Ballington Limited	100	—	10,000	HK\$1	e
Cambella Limited	100	—	1,000	HK\$1	a
Central Financial Management Company Inc	—	100	10,000	US\$1	d
Chi Ho Investment Company Limited	100	—	100	HK\$100	a b g
Chi Ning Investment Company Limited	100	—	421,290	HK\$1	e
Etrema Company Limited	100	—	1,000	HK\$1	b
Fung Chau Investment Company Limited	100	—	1,070,030	HK\$1	a g
Golden Ocean Corporation Limited	100	—	531,510	HK\$1	a
Goldman Investments Incorporated ("Goldman") (note b)	—	80	8,000	N/A	—
GYB Properties, Inc. ("GYB") (note b)	—	80	750,000 550,000 preferred shares	US\$0.01 US\$0.01	e
Kam Cheung Investment Company Limited	75	—	1,200,000	HK\$1	a e
Kam Chung Industrial Company Limited	100	—	1,149,430	HK\$1	a g
Kam Hang Company Limited	95	—	5,000	HK\$100	a
Kam Yiu Company Limited	100	—	73,000	HK\$1	a
Lee Sang On Investment Company, Limited	100	—	915,960	HK\$1	a
MLI Business Management, Inc	—	100	1,000	US\$1	h
Montgomery Enterprises Limited	100	—	1,190,840	HK\$1	a e g
Montgomery Golf Corporation	—	100	500,000	N/A	i
Montgomery Lands, Incorporated	—	100	20,000	US\$1	a
On Ah Enterprises Limited	65	—	100,000	HK\$1	a
Pentacontinental Land Investment Company Limited	53.6	—	2,000,000	HK\$1	a e
Satvision Limited	100	—	1,000	HK\$1	a
Tai Fung Investment Company Limited	65	—	1,400,000	HK\$1	a e
Tai Land Finance Company Limited	100	—	100,000	HK\$1	c
Tai Sang Cold Storage and Godown Company Limited	58	—	5,600,000	HK\$1	e

27 PRINCIPAL SUBSIDIARY COMPANIES (Continued)

Name	Percentage of issued capital held		Ordinary share capital		Principal activities
	By Company	By subsidiary company	Number	Par value per share	
Tai Sang Estate Agency Limited	100	—	100,000	HK\$1	d e
Tai Wing Investment Company Limited	100	—	1,523,590	HK\$1	a
TSE (Floral Villas) Limited	—	100	100	HK\$1	d
TSE (Kam Yuen Mansion) Limited	—	100	1,000	HK\$1	d
TSL Construction and Engineering Limited	100	—	2	HK\$1	a
Welldicker Industrial Limited	100	—	2	HK\$1	e
Worldround Investment Company (Hong Kong) Limited	100	—	127,820	HK\$1	a
Xin Kuok Investments Limited	100	—	2	HK\$1	f
Yerba Buena Properties, Inc. ("YBP") (note b)	—	80	8,000	N/A	—

Principal activities:

- | | |
|----------------------------------|---|
| a = property rental | e = investment holding |
| b = property development | f = motor vehicle rental |
| c = finance | g = property resale |
| d = estate management and agency | h = management service |
| | i = trading of golf digital video equipment and training software |

- (a) The above list gives particulars of the principal subsidiary companies, which in the opinion of the directors, materially affect the results and/or assets of the Group.
- (b) On 8th April 1999, the board of directors and shareholders of GYB approved the Plan of Complete Liquidation (the "Plan") of GYB. The Plan provides for the complete liquidation and dissolution of GYB along with its wholly owned subsidiary companies, YBP and Goldman. Details of the liquidation and dissolution are set out in note 19 to the accounts.