

NOTES TO THE ACCOUNTS

As at 31 December 2001

1 PRINCIPAL ACCOUNTING POLICIES

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

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

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases (effective for periods commencing on or after 1 July 2000)
SSAP 26	:	Segment reporting
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets

The changes to the Group's accounting policies and the effect of adopting these new policies are set out in the accounting policies below.

(a) Basis of consolidation

- (i) The Group accounts include the accounts of the Company and its subsidiaries made up to 31 December. All significant intercompany transactions and balances within the Group are eliminated on consolidation.
- (ii) Subsidiaries are those entities in which the Group controls more than half of the voting power, has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors or to cast majority of votes at the meetings of the board of directors.

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

- (iii) Results of subsidiaries acquired during the year are included in the Group accounts from their respective dates of acquisition. Results of subsidiaries disposed of during the year are included up to their respective dates of disposals.
- (iv) The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or goodwill taken to reserves which was not previously charged or recognised in the consolidated profit and loss account.

NOTES TO THE ACCOUNTS

As at 31 December 2001

(b) Associated companies

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

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

(c) 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 long term investment potential, any rental income being negotiated at arm's length.

Investment properties are revalued annually by independent professional valuers and stated at their open market value at the balance sheet date. Changes in the value of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Where such a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of an investment property, any revaluation reserve held in respect of the property is released to the profit and loss account.

Investment properties are not depreciated except where the unexpired term of the lease is twenty years or less, in which case depreciation is provided on the carrying amount over the remaining term of the lease.

(ii) *Other fixed assets*

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated to write off the cost of these assets on a straight line basis over their expected useful lives to the Group. The principal annual rates used for this purpose are:—

Office equipment, furniture and fixtures	15%
Computer software	20%
Computer equipment	33%
Motor vehicles	20%

NOTES TO THE ACCOUNTS

As at 31 December 2001

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(d) Properties held for development

Properties held for development are stated at cost which includes land cost, development expenditure, professional fees, capitalised interest and other expenses incurred incidental to the development less any accumulated impairment losses.

(e) Impairment and gain or loss on sale of fixed assets or properties held for development

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 held for development and fixed assets other than investment properties 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 properties held for development and fixed assets 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.

(f) Properties held for sale

Properties held for sale are included as current assets and are stated at the lower of cost and net realisable value. Cost includes land cost, development expenditure, professional fees, capitalised interest and other expenses incurred at the development phase. Net realisable value is the estimated price at which a property can be realised less related expenses.

(g) Operating leases

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

Pursuant to the adoption of Statement of Standard Accounting Practice 14 (revised) on Leases which prescribes the accounting policies and disclosure requirements in relation to operating leases, certain comparative figures and disclosures in note 22(b) to the accounts have been adjusted and extended to conform with the current year's presentation.

NOTES TO THE ACCOUNTS

As at 31 December 2001

(h) Goodwill

Goodwill represents the excess of the cost of acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary/associated company at the date of acquisition. Goodwill on acquisitions occurring on or after 1 January 2001 is amortised using the straight-line method over its estimated useful life of 20 years. Goodwill on acquisitions that occurred prior to 1 January 2001 was written off against reserves. The Group has taken advantage of the traditional provisions in SSAP 30 and such goodwill has not been retroactively capitalised and amortised.

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

(i) Borrowing costs

Borrowing costs incurred on assets under active development that take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of such assets at the Group's weighted average cost of borrowing for the year. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(j) Revenue recognition

- (i) *Properties held for sale*
Revenues and profits arising from the disposal of properties held for sale are recognised on the execution of legally binding contracts of sale.
- (ii) Revenue from letting the Group's portfolio of investment properties is recognised on a straight-line basis over the lease term.
- (iii) Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.
- (iv) Property management revenue is recognised when the services are rendered.
- (v) Dividend income is recognised when the right to receive payment is established.

NOTES TO THE ACCOUNTS

As at 31 December 2001

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(k) Investments

In previous financial years, the Group had classified its investments in securities into investment securities and other investments, which were respectively accounted for in accordance with paragraphs 18 to 26 of SSAP 24 under a "benchmark treatment". Commencing this year, the Group adopted an "alternative treatment" as allowed under paragraphs 27 to 30 of SSAP 24. The change in method of accounting for investments in securities represents a change in accounting policy. However, no prior year adjustment was made as the effect of applying the current accounting policy retrospectively is immaterial. Under the new treatment, investments are classified into non-trading and trading investments, and details of the accounting policies for these respective categories of investments are stated below.

(i) *Non-trading investments*

Investments which are held for non-trading purpose are stated at fair value at the balance sheet date. Changes in the fair value of individual securities are credited or debited to the investment revaluation reserve until the security is sold, or is determined to be impaired. Upon disposal, the cumulative gain or loss representing the difference between the net sales proceeds and the carrying amount of the relevant security, together with any surplus/deficit transferred from the investment revaluation reserve, is dealt with in the profit and loss account.

Individual investments are reviewed regularly to determine whether they are impaired. When an investment is considered to be impaired any relevant loss recorded in the revaluation reserve is taken to the profit and loss account.

Transfers from the investment revaluation reserve to the profit and loss account as a result of impairments are written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

(ii) *Trading investments*

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

NOTES TO THE ACCOUNTS

As at 31 December 2001

(l) Deferred taxation

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 recognised in the accounts. The tax effect of timing differences, computed under the liability method, is recognised in the accounts to the extent that it is probable a liability or an asset will crystallise in the foreseeable future.

(m) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date. Exchange differences arising are included in operating results.

The balance sheet of overseas subsidiaries and associated companies expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences arising are taken directly to the exchange reserve.

(n) Retirement benefits

The Group contributes to a defined contribution provident fund scheme for its employees. The Group's contributions under the scheme are charged to the profit and loss account as incurred. The amount of the Group's contributions is based on specified percentages of the basic salaries of employees. Any employers' contributions relating to unvested benefits forfeited by employees who leave the Group are used to reduce the Group's ongoing contributions otherwise payable.

(o) Accounts receivable

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

(p) 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 and the comparatives presented have been restated to conform with the changed policy.

As detailed in Note 18, this change has resulted in an increase in opening retained profits at 1 January 2001 by HK\$15,943,000 (1 January 2000: HK\$15,943,000) which is the reversal of the provision for 2000 (1999) proposed final dividend previously recorded as a liability as at 31 December 2000 (31 December 1999) although not declared until after the balance sheet date.

NOTES TO THE ACCOUNTS

As at 31 December 2001

1 PRINCIPAL ACCOUNTING POLICIES *(continued)*

(q) Segment reporting

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

Unallocated costs represent corporate expenses. Segment assets consist primarily of fixed assets, properties, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude taxation. Capital expenditure represents additions to fixed assets (note 11) and property held for development (note 13).

In respect of geographical segment reporting, turnover, segment results, total assets and capital expenditure are based on the country in which the assets are located.

2 TURNOVER, REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in property investment, property trading and providing property management services. Revenues recognised during the year are as follows:

	2001	2000
	HK\$'000	HK\$'000
Turnover		
Rental income from investment properties	127,137	144,269
Income from property management and related services	10,835	13,082
Proceeds from sales of properties and property interests	95,030	3,728
	233,002	161,079
Other revenues		
Rental income net of outgoings on properties held for sale	(4,034)	(724)
Interest income from		
— banks	3,321	5,234
— others	3	123
Penalty income from early termination of leases	161	4,558
	(549)	9,191
Total revenues	232,453	170,270

NOTES TO THE ACCOUNTS

As at 31 December 2001

(a) Primary reporting format — business segments

The Group is organised into four main business segments:

Property investment

Property trading, sale of property interest

Property management and related services

Operation of driver training centres and tunnel operation and management

There are no sales or other transactions between the business segments.

	Property investment 2001 HK\$'000	Property trading, sale of property interest 2001 HK\$'000	Property management and related services 2001 HK\$'000	Operation of driver training centres and tunnel operation and management 2001 HK\$'000	Group 2001 HK\$'000
Turnover	<u>127,137</u>	<u>95,030</u>	<u>10,835</u>	<u>—</u>	<u>233,002</u>
Segment results	<u>92,168</u>	<u>(32,989)</u>	<u>6,819</u>	<u>—</u>	<u>65,998</u>
Unallocated costs					(167)
Operating profit					65,831
Finance costs					(55,302)
Share of results of associated companies		15,526		23,585	39,111
Goodwill amortisation				(11,043)	(11,043)
Profit before taxation					38,597
Taxation					(5,467)
Profit for the year					<u>33,130</u>
Segment assets	<u>1,943,193</u>	<u>198,487</u>	<u>6,051</u>	<u>—</u>	<u>2,147,731</u>
Unallocated assets					12,810
Interest in an associated company				631,442	631,442
Total assets					<u>2,791,983</u>
Segment liabilities	<u>933,256</u>	<u>26,628</u>	<u>20,194</u>	<u>—</u>	<u>980,078</u>
Unallocated liabilities					2,831
Total liabilities					<u>982,909</u>
Capital expenditure	<u>2,588</u>	<u>359</u>	<u>1,017</u>	<u>—</u>	<u>3,964</u>
Depreciation	<u>—</u>	<u>—</u>	<u>259</u>	<u>—</u>	<u>259</u>
Other non-cash expenses	<u>26,128</u>	<u>20,667</u>	<u>—</u>	<u>11,043</u>	<u>57,838</u>

NOTES TO THE ACCOUNTS

As at 31 December 2001

2 TURNOVER, REVENUES AND SEGMENT INFORMATION *(continued)*(a) Primary reporting format — business segments *(continued)*

	Property investment 2000 HK\$'000	Property trading, sale of property interest 2000 HK\$'000	Property management and related services 2000 HK\$'000	Operation of driver training centres and tunnel operation and management 2000 HK\$'000	Group 2000 HK\$'000
Turnover	<u>144,269</u>	<u>3,728</u>	<u>13,082</u>	<u>—</u>	<u>161,079</u>
Segment results	<u>58,739</u>	<u>(109,970)</u>	<u>9,158</u>	<u>—</u>	<u>(42,073)</u>
Unallocated costs					<u>(962)</u>
Operating loss					<u>(43,035)</u>
Finance costs					<u>(77,693)</u>
Share of results of an associated company		1,844			<u>1,844</u>
Loss before taxation					<u>(118,884)</u>
Taxation					<u>(2,084)</u>
Loss for the year					<u>(120,968)</u>
Segment assets	<u>2,472,423</u>	<u>250,753</u>	<u>6,526</u>	<u>—</u>	<u>2,729,702</u>
Unallocated assets					<u>15,324</u>
Interest in an associated company		1,792			<u>1,792</u>
Total assets					<u>2,746,818</u>
Segment liabilities	<u>891,155</u>	<u>31,333</u>	<u>26,842</u>	<u>—</u>	<u>949,330</u>
Unallocated liabilities					<u>689</u>
Total liabilities					<u>950,019</u>
Capital expenditure	<u>5,221</u>	<u>1,008</u>	<u>1,315</u>	<u>—</u>	<u>7,544</u>
Depreciation	<u>—</u>	<u>—</u>	<u>491</u>	<u>—</u>	<u>491</u>
Other non-cash expenses	<u>70,221</u>	<u>108,819</u>	<u>—</u>	<u>—</u>	<u>179,040</u>

NOTES TO THE ACCOUNTS

As at 31 December 2001

(b) Secondary reporting format — geographical segments

The Group's four main business segments operate in Hong Kong and Mainland China.

There are no sales between the geographical segments.

	Turnover	Segment	Total	Capital
	2001	results	assets	expenditure
	HK\$'000	2001	2001	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	137,972	98,987	2,040,573	3,964
Mainland China	95,030	(32,989)	107,158	—
	<u>233,002</u>	<u>65,998</u>	<u>2,147,731</u>	<u>3,964</u>
Unallocated costs		<u>(167)</u>		
Operating profit		<u>65,831</u>		
Unallocated assets			12,810	
Interest in an associated company			<u>631,442</u>	
Total assets			<u>2,791,983</u>	
	Turnover	Segment	Total	Capital
	2000	results	assets	expenditure
	HK\$'000	2000	2000	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Hong Kong	157,351	67,897	2,585,748	7,544
Mainland China	3,728	(109,970)	143,954	—
	<u>161,079</u>	<u>(42,073)</u>	<u>2,729,702</u>	<u>7,544</u>
Unallocated costs		<u>(962)</u>		
Operating loss		<u>(43,035)</u>		
Unallocated assets			15,324	
Interest in an associated company			<u>1,792</u>	
Total assets			<u>2,746,818</u>	

NOTES TO THE ACCOUNTS

As at 31 December 2001

3 FINANCE COSTS

	2001	2000
	HK\$'000	HK\$'000
Interest on bank loans and overdrafts	51,641	77,146
Loan arrangement fees	3,661	547
	<u>55,302</u>	<u>77,693</u>

4 OPERATING PROFIT/LOSS

The operating profit/loss is stated after charging and crediting the following:

	2001	2000
	HK\$'000	HK\$'000
Charging:		
Auditors' remuneration		
— Current year	701	460
— Under/(over)provision in previous year	165	(200)
Loss on disposal of property interests held by a subsidiary	970	—
Impairment loss on non-trading investments	278	1,161
Provision for bad debts	398	1,235
Depreciation of fixed assets	259	491
Loss on disposal of fixed assets	—	684
Outgoings in respect of other properties	6,152	2,882
Outgoings in respect of investment properties	6,210	10,172
Staff costs		
— Provision for discretionary bonus	1,220	757
— Provident fund contributions	319	470
— Salaries and other benefits	<u>7,027</u>	<u>8,822</u>
Crediting:		
Recovery of bad debts previously written off	203	—
Write back of impairment loss on non-trading investments	<u>111</u>	<u>199</u>

NOTES TO THE ACCOUNTS

As at 31 December 2001

5 TAXATION

- (a) The taxation (charge)/credit in the consolidated profit and loss account comprises:

	2001	2000
	HK\$'000	HK\$'000
Company and its subsidiaries		
Hong Kong profits tax		
Current year	(3,845)	(3,320)
Overprovision in previous years	644	1,236
Share of taxation attributable to an associated company	(2,266)	—
	<u>(5,467)</u>	<u>(2,084)</u>

- (b) Hong Kong taxation is provided at the rate of 16% (2000: 16%) on the estimated assessable profit for the year.
- (c) An analysis of the full potential unprovided deferred tax assets/(liabilities) of the Group as at the year end is as follows:

	2001	2000
	HK\$'000	HK\$'000
Accelerated depreciation allowances	(98)	16
Tax losses	3,717	4,889
	<u>3,619</u>	<u>4,905</u>

The surplus/deficit arising on revaluation of investment properties does not constitute a timing difference and accordingly there are no deferred tax implications.

6 PROFIT/LOSS ATTRIBUTABLE TO SHAREHOLDERS

Included in the profit attributable to shareholders of HK\$33,130,000 (2000: loss of HK\$120,968,000) is a profit of HK\$34,013,000 (2000: loss of HK\$80,011,000) which is dealt with in the Company's accounts.

NOTES TO THE ACCOUNTS

As at 31 December 2001

7 DIVIDENDS

	2001	2000
	HK\$'000	HK\$'000
2000 final dividend paid of HK\$0.02 (2000: 1999 final dividend paid of HK\$0.02) per share (<i>Note</i>)	<u>15,943</u>	<u>15,943</u>

At a meeting held on 12 April 2002, the directors proposed a final dividend of HK\$0.02 per 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 31 December 2002.

Note: The previously recorded final dividends proposed and declared after the balance sheet date but accrued in the accounts were HK\$15,943,000 in each of the years ended 31 December 2000 and 1999. Under the Group's new accounting policy as described in Note 1(p), these have been written back against opening reserves as at 1 January 2001 and 2000 in Note 18 and are now charged in the period in which they were proposed.

8 EARNINGS/LOSS PER SHARE

Earnings (2000: loss) per share is calculated based on the profit attributable to shareholders of HK\$33,130,000 (2000: loss of HK\$120,968,000) and on 797,157,415 shares (2000: the weighted average of 768,493,000 shares) in issue during the year.

The options of the Company do not result in a dilution effect on the earnings/loss per share in respect of the years ended 31 December 2001 and 2000.

NOTES TO THE ACCOUNTS

As at 31 December 2001

9 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES

The emoluments of the directors and the five highest paid employees have been included in staff costs disclosed in note 4 to the accounts.

(a) Directors' emoluments

Directors' emoluments for the year were as follows:

	2001	2000
	HK\$'000	HK\$'000
As directors — fees	600	—
For management		
— basic salaries, housing allowances, other allowances and benefits in kind	1,690	2,620
Discretionary bonuses	800	512
Pension contributions	78	98
	<u>3,168</u>	<u>3,230</u>

Directors' fees and other emoluments disclosed above include HK\$600,000 (2000: HK\$Nil) paid and payable to independent non-executive directors.

The emoluments of the directors fell within the following bands:

	Number of directors	
	2001	2000
<i>HK\$</i>		
Up to 1,000,000	2	3
1,500,001 - 2,000,000	—	1
2,500,001 - 3,000,000	1	—
	<u>1</u>	<u>—</u>

None of the directors waived any emoluments in respect of the years ended 31 December 2001 and 2000.

NOTES TO THE ACCOUNTS

As at 31 December 2001

9 EMOLUMENTS OF THE DIRECTORS AND THE FIVE HIGHEST PAID EMPLOYEES*(continued)***(b) Five highest paid employees' emoluments**

Among the five highest paid employees, one (2000: two) is executive director whose remuneration is disclosed above. Details of the emoluments of the remaining four (2000: three) highest paid employees are as follows:

	2001	2000
	HK\$'000	HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	2,476	1,426
Discretionary bonuses	330	190
Pension contributions	114	46
	<u>2,920</u>	<u>1,662</u>

The emoluments of these employees fell within the following bands:

	Number of individuals	
	2001	2000
HK\$		
500,001 - 1,000,000	3	3
1,000,001 - 1,500,000	1	—
	<u>1</u>	<u>—</u>

NOTES TO THE ACCOUNTS

As at 31 December 2001

10 RETIREMENT BENEFIT COSTS

- (a) Contributions to a mandatory provident fund scheme (the "MPF Scheme") by the Group and employees are calculated at 5% of the employees' monthly salary. Under the Mandatory Provident Fund Scheme Ordinance (Chapter 485 of the Laws of Hong Kong) (the "MPF Ordinance"), employers and employees are required to contribute 5% of the employees' relevant income as defined in the MPF Ordinance up to a maximum of HK\$1,000 per employee per month (the "mandatory contributions"). The excess of the Group's contributions to the MPF Scheme over the mandatory contributions are voluntary contributions.

The mandatory contributions are fully and immediately vested in the employees as accrued benefits once they are paid to the approved trustees of the MPF Scheme. The unvested benefits, relating to voluntary contributions paid by the Group, of employees terminating employment are forfeited in accordance with the terms of the MPF Scheme and can be utilised by the Group to reduce future contributions.

- (b) During the year, there were no forfeited contributions utilised by the Group under the MPF Scheme. In the previous year, the forfeited contributions utilised by the Group under the Former Scheme amounted to HK\$519,000.
- (c) Contributions totalling HK\$319,000 (2000: HK\$37,000) were payable to the MPF Scheme at the year end and are included in other payables.

NOTES TO THE ACCOUNTS

As at 31 December 2001

11 FIXED ASSETS — GROUP

	Investment properties in Hong Kong <i>HK\$'000</i>	Office equipment, furniture and fixtures <i>HK\$'000</i>	Computer software <i>HK\$'000</i>	Computer equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost or valuation						
At 1 January 2001	2,377,330	—	424	336	—	2,378,090
Additions	2,588	32	29	33	923	3,605
Deficit on revaluation	(26,128)	—	—	—	—	(26,128)
Disposal of a subsidiary	(498,000)	—	—	—	—	(498,000)
At 31 December 2001	<u>1,855,790</u>	<u>32</u>	<u>453</u>	<u>369</u>	<u>923</u>	<u>1,857,567</u>
Accumulated depreciation						
At 1 January 2001	—	—	—	220	—	220
Charge for the year	—	5	88	43	123	259
At 31 December 2001	<u>—</u>	<u>5</u>	<u>88</u>	<u>263</u>	<u>123</u>	<u>479</u>
Net book value						
At 31 December 2001	<u>1,855,790</u>	<u>27</u>	<u>365</u>	<u>106</u>	<u>800</u>	<u>1,857,088</u>
At 31 December 2000	<u>2,377,330</u>	<u>—</u>	<u>424</u>	<u>116</u>	<u>—</u>	<u>2,377,870</u>

- (a) The investment properties are held under medium term leases of between 20 to 50 years, except for certain properties with a carrying value of HK\$914,580,000 (2000: HK\$921,330,000) which are held under long-term leases of over 50 years.

The investment properties were revalued by B.I. Appraisals Limited, professional valuers, on the open market value basis as at 31 December 2001.

The revaluation deficit on investment properties has been charged to the profit and loss account.

NOTES TO THE ACCOUNTS

As at 31 December 2001

- (b) Certain investment properties have been pledged to banks to secure loan facilities granted to the Group (note 19(b)).
- (c) Fixed assets other than investment properties are stated at cost less accumulated depreciation.

12 INVESTMENTS**(a) Subsidiaries**

	Company	
	2001	2000
	HK\$'000	HK\$'000
Unlisted shares, at cost	1,465,569	1,465,569
Amounts due from subsidiaries	869,093	884,697
	<u>2,334,662</u>	<u>2,350,266</u>
Less: Provisions	(1,085,104)	(1,119,064)
	<u>1,249,558</u>	<u>1,231,202</u>

Details of the principal subsidiaries of the Company are set out in note 25 to the accounts.

Amounts due from subsidiaries are unsecured, interest free and have no fixed terms of repayment.

NOTES TO THE ACCOUNTS

As at 31 December 2001

12 INVESTMENTS *(continued)***(b) Associated companies**

	Group	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets/(liabilities)	356,948	(110,836)
Goodwill on acquisition of an associated company		
less amortisation	271,821	—
Amount due from an associated company	—	112,628
Dividend receivable	2,673	—
	<u>631,442</u>	<u>1,792</u>
Listed shares, at cost	<u>627,274</u>	<u>—</u>
Unlisted shares, at cost	<u>—</u>	<u>1,854</u>
Market value of listed shares	<u>168,400</u>	<u>—</u>

Particulars of the associated companies at 31 December are set out below:

Name of company	Place of incorporation	Description of shares held	Equity interest held indirectly	
			2001	2000
Maxdo Investments Limited	Hong Kong	2,172,368 ordinary shares of HK\$1 each	—	22%
The Cross-Harbour (Holdings) Limited	Hong Kong	53,460,306 ordinary shares of HK\$1 each	27.6177%	—

Maxdo Investments Limited is an investment holding company with a subsidiary engaged in property development activities in Mainland China. The associated company was disposed of during the year.

The Cross-Harbour (Holdings) Limited is an investment holding company, incorporated and listed in Hong Kong, with its subsidiaries engaged in the operation of driver training centres and the business of tunnel operation and management in Hong Kong.

NOTES TO THE ACCOUNTS

As at 31 December 2001

Information of a material associated company

The financial information of the associated company, The Cross-Harbour (Holdings) Limited, whose results and financial position are material in the context of the Group's accounts, is summarised below.

	Year ended 31 December 2001 HK\$'000
Profit and loss account	
Turnover	299,793
Profit before taxation	93,726
Profit after taxation	81,296
	<hr/> <hr/>
Profit attributable to the Group (<i>Note</i>)	21,319
	<hr/> <hr/>
	At 31 December 2001 HK\$'000
Balance sheet	
Non-current assets	1,265,689
Current assets	207,147
Current liabilities	(146,071)
Net current assets	61,076
	<hr/> <hr/>
Total assets less current liabilities	1,326,765
	<hr/> <hr/>
Long term liabilities	(4,400)
	<hr/> <hr/>
Shareholders' funds	1,292,461
	<hr/> <hr/>
Net asset attributable to the Group	356,948
	<hr/> <hr/>

Note: Profit attributable to the Group represents the Group's share of post-acquisition profits from 21 March 2001 (date of acquisition) to 31 December 2001.

NOTES TO THE ACCOUNTS

As at 31 December 2001

13 PROPERTY HELD FOR DEVELOPMENT

	Group	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
At 1 January	60,000	87,000
Development expenditure incurred	359	1,008
Provision for impairment loss	(5,359)	(28,008)
At 31 December	<u>55,000</u>	<u>60,000</u>

Property held for development represents a development project which is situated in Hong Kong and held under a medium term lease of between 20 and 50 years.

14 PROPERTIES HELD FOR SALE

	Group	
	2001	2000
	HK\$'000	<i>HK\$'000</i>
Hong Kong		
At cost	1,988	1,988
At net realisable value	29,000	31,800
	30,988	33,788
Mainland China		
At net realisable value	29,000	141,500
	59,988	175,288

The title deeds in respect of properties held for sale in the Mainland China amounting to HK\$16,000,000 (2000: HK\$95,500,000) are yet to be issued by the relevant authorities.

NOTES TO THE ACCOUNTS

As at 31 December 2001

15 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade receivables (<i>Note</i>)	79,560	10,332	—	—
Prepayments and deposits	7,222	7,789	88	226
Other receivables	3,653	2,922	—	—
	<u>90,435</u>	<u>21,043</u>	<u>88</u>	<u>226</u>

Note: At 31 December, the ageing analysis of the trade receivables was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Not yet due	53,600	—
Within 30 days	22,237	4,184
31 - 60 days	1,749	507
61 - 90 days	953	254
Over 90 days	1,021	5,387
	<u>79,560</u>	<u>10,332</u>

Included in trade receivable is receivables of HK\$75,500,000 in respect of the disposal of properties and property interests which will be settled in accordance with the payment schedule of the sale and purchase agreements, and the final payments are repayable on or before 31 December 2002.

Other trade receivable are primarily rental receivable from tenants which is normally due on the first day of the month.

NOTES TO THE ACCOUNTS

As at 31 December 2001

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade payables (Note)	939	3,716	—	—
Other payables and accruals	65,139	77,431	508	340
Amount due to a related company	—	154	—	—
	<u>66,078</u>	<u>81,301</u>	<u>508</u>	<u>340</u>

Note: At 31 December, the ageing analysis of the trade payables was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Within 30 days	505	884
31 - 60 days	233	1,373
61 - 90 days	201	858
Over 90 days	—	601
	<u>939</u>	<u>3,716</u>

NOTES TO THE ACCOUNTS

As at 31 December 2001

17 SHARE CAPITAL**(a) Shares**

	Ordinary shares of HK\$0.10 each	
	<i>Number</i>	<i>HK\$'000</i>
Authorised		
At 31 December 2001 and 2000	<u>1,500,000,000</u>	<u>150,000</u>
Issued and fully paid		
At 31 December 1999	664,357,415	66,436
Issue of shares	<u>132,800,000</u>	<u>13,280</u>
At 31 December 2000	<u>797,157,415</u>	<u>79,716</u>
At 31 December 2001	<u>797,157,415</u>	<u>79,716</u>

(b) Share options

At a Special General Meeting of the Company held on 22 December 1993, the Share Option Plan was approved and adopted. At 31 December 2001, there were 2,590,000 options outstanding which are exercisable in stages from the date of grant and no option will be exercisable later than 10 years after its date of grant. The amount payable on acceptance of the option is minimal. No options have been granted, lapsed or exercised during the year.

NOTES TO THE ACCOUNTS

As at 31 December 2001

18 RESERVES

- (a) The movements in reserves of the Group and the Company during the year are as follows:

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share premium account				
At 1 January	94,535	42,890	94,535	42,890
Premium on issue of shares	—	53,120	—	53,120
Share issue expenses	—	(1,475)	—	(1,475)
At 31 December	94,535	94,535	94,535	94,535
Capital redemption reserve				
At 1 January and 31 December	1,350	1,350	1,350	1,350
Reserve on consolidation				
At 1 January and 31 December	1,800	1,800	—	—
Exchange reserve				
At 1 January	1,389	1,223	—	—
Exchange differences arising on translation of associated company's accounts	—	166	—	—
Realisation upon disposal of an associated company	(1,389)	—	—	—
At 31 December	—	1,389	—	—
Contributed surplus				
At 1 January and 31 December	1,337,878	1,337,878	1,345,068	1,345,068
Non-trading investment revaluation reserve				
At 1 January	—	—	—	—
Share of non-trading investment revaluation reserve of an associated company	(3,523)	—	—	—
At 31 December	(3,523)	—	—	—

NOTES TO THE ACCOUNTS

As at 31 December 2001

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Retained profits/ (accumulated losses)				
At 1 January,				
as previously reported	264,188	401,099	(305,453)	(209,499)
Effect of adopting SSAP 9 (revised) (Note 1(p))	15,943	15,943	15,943	15,943
At 1 January, as restated	280,131	417,042	(289,510)	(193,556)
Profit/(loss) for the year	33,130	(120,968)	34,013	(80,011)
2000 (1999) final dividend paid	(15,943)	(15,943)	(15,943)	(15,943)
At 31 December	297,318	280,131	(271,440)	(289,510)
Total reserves at 31 December	1,729,358	1,717,083	1,169,513	1,151,443
Representing:				
Reserves at 31 December	1,713,415	1,701,140	1,153,570	1,135,500
Final dividend proposed	15,943	15,943	15,943	15,943

The contributed surplus of the Company and the Group arose from a corporate restructuring which took place in 1993. The contributed surplus of the Company is distributable under the Companies Act 1981 of Bermuda.

NOTES TO THE ACCOUNTS

As at 31 December 2001

18 RESERVES (continued)

(b) The reserves of the Group are retained by:

	Company and its subsidiaries		Associated companies		Total	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Share premium account	94,535	94,535	—	—	94,535	94,535
Capital redemption reserve	1,350	1,350	—	—	1,350	1,350
Reserve on consolidation	1,800	1,800	—	—	1,800	1,800
Exchange reserve	—	—	—	1,389	—	1,389
Non-trading investment revaluation reserve	—	—	(3,523)	—	(3,523)	—
Contributed surplus	1,337,878	1,337,878	—	—	1,337,878	1,337,878
Retained profits/ (accumulated losses)	275,999	387,021	21,319	(106,890)	297,318	280,131
Total	1,711,562	1,822,584	17,796	(105,501)	1,729,358	1,717,083

19 BANK LOANS

(a) Bank loans are repayable as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	271,000	191,660
In the second year	176,500	357,730
In the third to fifth year	105,500	318,639
After the fifth year	361,000	—
	914,000	868,029
Amounts classified under current liabilities	(271,000)	(191,660)
Amounts classified under non-current liabilities	643,000	676,369

(b) Pledge of assets

The bank loans are secured by mortgages on certain investment properties and properties held for sale with an aggregate carrying value of HK\$1,882,000,000 (2000: HK\$2,405,800,000) and the assignment of rental income from certain of the properties.

In addition, the Company has pledged all the issued shares of certain subsidiaries and subordinated its loans to certain subsidiaries in favour of the lenders of the above bank loans.

NOTES TO THE ACCOUNTS

As at 31 December 2001

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT**(a) Reconciliation of operating profit / loss to net cash inflow from operating activities**

	2001	2000
	HK\$'000	HK\$'000
Operating profit/(loss)	10,529	(120,728)
Deficit arising on revaluation of investment properties	26,128	70,221
Realisation of exchange reserve related to an associated company upon disposal	(1,389)	—
Provision for impairment loss on property held for development	5,359	28,008
Loss on disposal of fixed assets	—	684
Loss on disposal of a subsidiary	1,270	—
Interest income	(3,324)	(5,357)
Interest expense	51,641	77,146
Depreciation	259	491
Impairment loss (net of write back) on non-trading investments	167	962
Decrease in properties held for sale	115,300	81,822
(Increase)/decrease in trade and other receivables	(78,051)	276
(Decrease)/increase in trade and other payables	(1,014)	8,662
Net cash inflow from operating activities	<u>126,875</u>	<u>142,187</u>

(b) Analysis of changes in financing during the year

	Share capital (including share premium)		Bank loans and other borrowings	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January	174,251	109,326	868,029	963,689
Net cash inflow/(outflow) from financing	—	64,925	283,971	(95,660)
Disposal of a subsidiary	—	—	(238,000)	—
At 31 December	<u>174,251</u>	<u>174,251</u>	<u>914,000</u>	<u>868,029</u>

NOTES TO THE ACCOUNTS

As at 31 December 2001

20 NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)***(c) Sale of a subsidiary**

	2001 HK\$'000
Net assets disposal of:	
Investment properties	498,000
Trade and other receivables	8,196
Tax recoverable	383
Bank loans	(238,000)
Other payables	(11,722)
	256,857
Loss on disposal	(1,270)
	255,587
	255,587
Satisfied by:	
Cash consideration (net of expenses)	255,587

21 CONTINGENT LIABILITIES

- (a) A subsidiary has claimed against the contractor of a property development project, and deducted from payments to the contractor, approximately HK\$11 million for the delay in completion and defects of the construction works. In addition, there is a dispute of approximately HK\$1.7 million regarding the final contract amount. The contractor has denied the claim and is counter-claiming the subsidiary for HK\$22.3 million, including liquidated damages, the abovementioned disputed contract sum and loss and expense. The case is pending arbitration. As at 31 December 2001, provisions of HK\$7.4 million (2000: HK\$8.2 million) have been made for the expected legal costs on this dispute, which the directors consider to be adequate, taking into account expert professional advice received.
- (b) The Company has executed guarantees totalling HK\$1,074,400,000 (2000: HK\$977,189,000) with respect to banking facilities made available to its subsidiaries, of which HK\$874,000,000 were utilised as at 31 December 2001 (2000: HK\$828,029,000).
- (c) A subsidiary has executed guarantees to secure banking facility made available to its investee company and certain property buyers of the investee company in respect of mortgage loans. The total outstanding amounts of these guarantees given by the subsidiary as at 31 December 2001 is approximately HK\$13 million.

NOTES TO THE ACCOUNTS

As at 31 December 2001

22 COMMITMENTS — GROUP**(a) Capital commitments**

The Group had the following outstanding capital commitments in respect of property held for development:

	2001	2000
	HK\$'000	HK\$'000
Contracted but not provided for	9,986	9,918
Authorised but not contracted	10,330	10,420
	<u>20,316</u>	<u>20,338</u>

(b) Commitments under operating lease

The Group had future aggregate minimum lease payments under non-cancellable operating lease in respect of a property as follows:

	2001	As restated 2000
	HK\$'000	HK\$'000
Not later than one year	395	790
Later than one year and not later than five years	—	395
	<u>395</u>	<u>1,185</u>

23 FUTURE OPERATING LEASE RECEIVABLES

The Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of properties as follows:

	2001	2000
	HK\$'000	HK\$'000
Not later than one year	106,438	138,740
Later than one year and not later than five years	111,401	76,214
	<u>217,839</u>	<u>214,954</u>

NOTES TO THE ACCOUNTS

As at 31 December 2001

24 RELATED PARTY TRANSACTIONS

Significant related party transactions, which were carried out in the normal course of the Group's business, are as follows:

	<i>Note</i>	2001 HK\$'000	2000 HK\$'000
Disposal of a subsidiary to a related company	<i>(a)</i>	256,860	—
Rental received from related companies	<i>(b)</i>	442	2,436
Building management fee received from a related company	<i>(c)</i>	680	—
Rental paid to a shareholder	<i>(d)</i>	917	160
Administrative staff cost paid to a shareholder	<i>(e)</i>	443	—
Disposal of a motor vehicle to a related company	<i>(f)</i>	—	500

- (a) On 16 January 2001, the Group disposed of its entire issued share capital of Pretty Star Limited ("Pretty Star"), a wholly owned subsidiary of the Company, and the benefits of and interest in the loan owing by Pretty Star to a wholly-owned subsidiary of Playmates Interactive Entertainment Limited ("PIEL") for a consideration of HK\$256.9 million and the disposal resulted in a loss of approximately HK\$1.3 million. The principal asset of Pretty Star is the commercial building situated at No. 100 Canton Road, Tsimshatsui, Kowloon, Hong Kong. The Company and PIEL were related parties as a former director and major shareholder of the Company is a major shareholder of PIEL.
- (b) During the year, the Group entered into lease agreements with a wholly-owned subsidiary of PIEL to lease office and industrial space to PIEL group. The terms of the leases were comparable to those contracted with other third party tenants.
- (c) A subsidiary, Prestige Properties Services Limited, has entered into a building management agreement with a wholly-owned subsidiary of PIEL for providing building management services in return for a management fee equivalent to 12.5% of total monthly building management fee receivable up to September 2001.
- (d) A subsidiary, Prestige Group Management Limited, has entered into a sub-lease agreement with a subsidiary of Yugang International Limited ("Yugang") to lease office space for a period of 2 years commencing 27 October 2001 at a monthly rental of HK\$73,857 and applicable rates and expenses. Yugang is a beneficial major shareholder of the Company.
- (e) A subsidiary, Prestige Group Management Limited, has entered into an administrative staff cost agreement with Yugang to share the cost of common staff at a monthly charge which is adjusted based on actual cost of the administrative staff from time to time.
- (f) The terms of the disposal of a motor vehicle to a related company, PIEL, were concluded based on arm's length negotiation.

NOTES TO THE ACCOUNTS

As at 31 December 2001

25 PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries at 31 December 2001 are as follows:

Name of company	Place of incorporation	Principal activities and place of operation	Issued and fully paid share capital	Interest held
Achiever Assets Limited	Hong Kong	Property development in Hong Kong	2 ordinary shares of HK\$1 each	100%
Asset Class Developments Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%
Best View Limited	British Virgin Islands	Property holding in Hong Kong	1 ordinary share of US\$1 each	100%
Benefit Plus Company Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK\$1 each	100%
E-Tech Services Limited	Hong Kong	Property management in Hong Kong	2 ordinary shares of HK\$1 each	100%
Future China Developments Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%
Gold Region Developments Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%
Harson Investment Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK\$1 each	100%
Honway Limited	British Virgin Islands	Investment holding in Hong Kong	1 ordinary share of US\$1 each	100%
Luckleen Development Limited	Hong Kong	Property trading in Hong Kong	100 ordinary shares of HK\$1 each	100%

NOTES TO THE ACCOUNTS

As at 31 December 2001

25 PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Place of incorporation	Principal activities and place of operation	Issued and fully paid share capital	Interest held
Pencester Properties Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%
Picoman Properties Limited	Hong Kong	Property trading in PRC	2 ordinary shares of HK\$1 each	100%
Prestige (China) Limited	Hong Kong	Investment holding in PRC	2 ordinary shares of HK\$1 each	100%
Prestige Finance Limited	Hong Kong	Finance vehicle in Hong Kong	6,000 ordinary shares of HK\$500 each	100%
Prestige Group Management Limited	Hong Kong	Business management services in Hong Kong	2 ordinary shares of HK\$1 each	100%
Prestige Investment Holdings Limited	British Virgin Islands	Investment holding in Asia	50,100 ordinary shares of US\$1 each	100%
Prestige Investment Management Limited	British Virgin Islands	Securities investment in PRC	1 ordinary share of US\$1 each	100%
Prestige Properties International Limited	British Virgin Islands	Investment holding in Hong Kong	201 ordinary shares of US\$1 each	100%
Prestige Property Services Limited	Hong Kong	Property management in Hong Kong	100 ordinary shares of HK\$1 each	100%
Real China Investments Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%

NOTES TO THE ACCOUNTS

As at 31 December 2001

Name of company	Place of incorporation	Principal activities and place of operation	Issued and fully paid share capital	Interest held
Real Start Developments Limited	British Virgin Islands	Property trading in PRC	1 ordinary share of US\$1 each	100%
Rosy Star Company Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK\$1 each	100%
Rosy Way Company Limited	Hong Kong	Property investment in Hong Kong	1,000 ordinary shares of HK\$10 each	100%
Score Goal Investment Limited	Hong Kong	Property investment in Hong Kong	2 ordinary shares of HK\$1 each	100%
Score Target Investment Limited	Hong Kong	Property trading in Hong Kong	2 ordinary shares of HK\$1 each	100%

The above table includes the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length. With the exception of Prestige Investment Holdings Limited, all the above companies are indirect subsidiaries of the Company.

26 APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 12 April 2002.