

1. General

The Company is a public listed limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited ("Hong Kong Stock Exchange").

The principal activities of the Company are property investment and investment holding. The principal activities of the principal subsidiaries and associates are shown in notes 16 and 17 respectively.

2. Adoption of new and revised statements of standard accounting practice

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAP"(s)) issued by the Hong Kong Society of Accountants. Adoption of these standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised standards has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior year adjustment which increases the dividend reserve of the Group and of the Company as at 1st January 2000 by HK\$79,595,000 and as at 1st January 2001 by the same amount. Accordingly, dividend income received from subsidiaries after balance sheet date is not recognised in the income statement, resulting in a prior year adjustment which decreases the Company's accumulated profit as at 1st January 2000 by HK\$273,200,000 and as at 1st January 2001 by HK\$75,800,000.

Leases

SSAP 14 (Revised) "Leases" has introduced some amendments to the basis of accounting for finance and operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any effect on the results for the current or prior accounting periods and, accordingly, no prior year adjustment has been required. Disclosures for all of the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

Goodwill

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected not to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, goodwill arising on acquisitions prior to 1st January 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate, or at such time as the goodwill is determined to be impaired. Negative goodwill arising on acquisitions prior to 1st January 2001 will be credited to income at the time of disposal of the relevant subsidiary or associate.

Any goodwill arising on acquisitions after 1st January 2001 will be capitalised and amortised over its estimated useful life. Any negative goodwill arising on acquisitions after 1st January 2001 will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

NOTES to the Financial Statements

For the year ended 31st December 2001

3. Significant accounting policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities, and in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement 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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition.

Goodwill arising on acquisitions after 1st January 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Goodwill arising on acquisitions prior to 1st January 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or associate or at such time as the goodwill is determined to be impaired.

On disposal of a subsidiary or associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or associate at the date of acquisition over the cost of acquisition.

Negative goodwill arising on acquisitions after 1st January 2001 is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

Negative goodwill arising on acquisitions prior to 1st January 2001 continues to be held in reserves and will be credited to income at the time of disposal of the relevant subsidiary or associate.

To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful life of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

3. Significant accounting policies *(Continued)*

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investments in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, including participation in financial and operating policy decisions of the investee.

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net asset of the associates, less any identified impairment loss.

When a group enterprise transacts with an associate of the Group, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associate, except where unrealised losses provide evidence of an impairment of the asset transferred.

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investments in associates are stated at cost, as reduced by any identified impairment loss.

Revenue recognition

(i) Property trading

When properties are developed for resale, income is recognised only when a building or any portion of it contracted for sale is 100% completed and the relevant occupation permit is granted by the relevant government authority. Where properties are disposed of through the disposal of those subsidiaries which hold the titles of these properties, income is recognised when the ownership of the subsidiaries is transferred to the buyer. Payments received from the purchasers prior to this stage are recorded as customers' deposits included in trade and other payables under current liabilities.

(ii) Premium income

Premiums are recognised as income over the insurance coverage period.

(iii) Return on investments

Dividends from investee companies are recognised as income when the Group's right to receive the relevant payment is established, whilst interest income is recognised on a time basis that takes into account the effective yield on the relevant deposits.

(iv) Operating lease income

Rentals receivable under operating leases are credited to the income statement on a straight-line basis over the relevant lease term.

(v) Sales of goods

Sales of goods are recognised when goods are delivered and title has passed.

(vi) Management fee

Management fee income is recognised when services are rendered.

(vii) Sales of securities

Sales of investments in securities are recognised when the title to the investments are transferred and the buyer takes legal possession of the investments.

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For the year ended 31st December 2001

3. Significant accounting policies (Continued)

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value. Any revaluation surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a revaluation deficit, in which case the excess of the revaluation deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost or valuation less depreciation and accumulated impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation surplus arising on the revaluation of land and buildings is credited to the other property revaluation reserve, except to the extent that it reverses a revaluation deficit of the same asset previously recognised as an expense, in which case the surplus is credited to the income statement to the extent of the deficit previously charged. A deficit in net carrying amount arising on revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Depreciation is provided to write off the cost or valuation of property, plant and equipment, other than properties under development, over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the lease term or 3%
Plant and machinery	10%
Furniture, fixtures, motor vehicles and computer equipment	10 – 20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

3. Significant accounting policies *(Continued)*

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the impairment loss is treated as a revaluation decrease under that standard.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generated unit) in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount under another standard, in which case the reversal of the impairment loss is treated as a revaluation increase under that other standard.

Properties under development

Land for properties under development is stated at cost less accumulated impairment losses. Where a piece of land is transferred from another class, it is stated at its carrying value at the time of the transfer and the value is treated as the deemed cost of the land. No further valuation of the land will be carried out subsequent to its reclassification. Development expenditure is stated at the aggregate amount of costs, including interest expenses capitalised during the development period. Provision for anticipated losses is made, where appropriate. No depreciation is provided on properties under development.

Properties held for sale

Properties held for sale are stated at the lower of cost and the estimated market value.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. 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 financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

NOTES to the Financial Statements

For the year ended 31st December 2001

3. Significant accounting policies (Continued)

Operating leases

Rentals receivable and payable under operating leases are credited and charged, respectively, to the income statement on a straight-line basis over the relevant lease term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

Retirement benefits scheme

The Group operates a defined contribution retirement benefits scheme for qualifying staff of certain companies in the Group, the assets of which are held in a separate trustee administered fund. Payments to the scheme are charged as an expense as they fall due.

Certain of the Group's employees have been enrolled in a Mandatory Provident Fund scheme. The contributions payable in respect of the current year to the fund are charged as an expense as they fall due.

Foreign currencies

Transactions in foreign currencies other than Hong Kong dollars are translated at the rates ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of the Group's overseas operations which are denominated in currencies other than Hong Kong dollar are translated at rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves and are recognised as income or as expenses in the period in which the operation is disposed of.

4. Turnover

Turnover represents the aggregate of the following amounts received and receivable during the year:

	2001 HK\$'000	2000 HK\$'000
Gross rental income	132,201	129,269
Interest income	61,414	84,355
Sales of goods	33,882	49,200
Gross insurance premium	31,777	34,805
Property management fees	16,530	17,420
Proceeds from disposal of listed investments	4,118	1,034
Dividend income from listed investments	3,991	2,326
Proceeds from disposal of properties	–	73,693
	283,913	392,102

5. Business and geographical segments

Business Segments

The Group is currently engaged in six business activities – property investment, property development, property management, treasury investment and banking, insurance business and trading and manufacturing. These activities are the basis on which the Group reports its primary segment information.

Segment information about these businesses is presented below:

	Year ended 31.12.2001							Consolidated HK\$'000
	Property investment HK\$'000	Property development HK\$'000	Property management HK\$'000	Treasury investment and banking HK\$'000	Insurance business HK\$'000	Trading and manufacturing HK\$'000	Eliminations HK\$'000	
REVENUE								
External sales	132,201	–	16,530	69,523	31,777	33,882	–	283,913
Inter-segment sales	929	–	4,486	192,048	784	–	(198,247)	–
Total revenue	133,130	–	21,016	261,571	32,561	33,882	(198,247)	283,913
Inter-segment sales are charged at prevailing market rates.								
RESULT								
Segment result	107,844	(66,667)	6,230	38,291	7,166	(798)	–	92,066
Finance costs								(67,464)
Share of results of associates	–	–	–	173,381	–	–	–	173,381
Profit before tax								197,983
Taxation								(40,828)
Profit after tax								157,155

NOTES to the Financial Statements

For the year ended 31st December 2001

5. Business and geographical segments (Continued)

Balance Sheet

	As at 31.12.2001						
	Property investment HK\$'000	Property development HK\$'000	Property management HK\$'000	Treasury investment and banking HK\$'000	Insurance business HK\$'000	Trading and manufacturing HK\$'000	Consolidated HK\$'000
ASSETS							
Segment assets	2,648,091	2,795,962	1,238	1,277,305	9,990	51,536	6,784,122
Investments in associates	-	-	-	2,605,159	-	-	2,605,159
Unallocated corporate assets							29,274
Consolidated total assets							9,418,555
LIABILITIES							
Segment liabilities	51,668	583,616	2,614	61	15,398	5,726	659,083
Unallocated corporate liabilities							2,663,231
Provision for taxation							1,382
Consolidated total liabilities							3,323,696

Other Information

	Year ended 31.12.2001							
	Property investment HK\$'000	Property development HK\$'000	Property management HK\$'000	Treasury investment and banking HK\$'000	Insurance business HK\$'000	Trading and manufacturing HK\$'000	Others HK\$'000	Consolidated HK\$'000
Capital additions	4,731	349,077	-	-	293	200	1,987	356,288
Depreciation and amortisation	924	240	-	-	253	2,095	1,605	5,117
Provision for impairment loss	-	66,667	-	-	-	-	-	66,667
Unrealised holding loss on other investments	-	-	-	15,404	-	-	-	15,404

5. Business and geographical segments (Continued)

	Year ended 31.12.2000							Consolidated HK\$'000
	Property invest- ment HK\$'000	Property develop- ment HK\$'000	Property manage- ment HK\$'000	Treasury investment and banking HK\$'000	Insurance business HK\$'000	Trading and manu- facturing HK\$'000	Eliminations HK\$'000	
REVENUE								
External sales	129,269	73,693	17,420	87,715	34,805	49,200	–	392,102
Inter-segment sales	843	–	4,593	219,749	813	–	(225,998)	–
Total revenue	130,112	73,693	22,013	307,464	35,618	49,200	(225,998)	392,102

Inter-segment sales are charged at prevailing market rates.

RESULT								
Segment result	100,836	59,980	6,593	60,163	8,315	5,554	–	241,441
Finance costs								(56,420)
Share of results of associates	–	–	–	242,741	–	–	–	242,741
Profit before tax								427,762
Taxation								(58,666)
Profit after tax								369,096

Balance Sheet

	As at 31.12.2000							Consolidated HK\$'000
	Property invest- ment HK\$'000	Property develop- ment HK\$'000	Property manage- ment HK\$'000	Treasury investment and banking HK\$'000	Insurance business HK\$'000	Trading and manu- facturing HK\$'000		
ASSETS								
Segment assets	2,661,067	2,454,695	2,529	1,193,284	10,974	56,874		6,379,423
Investments in associates	–	–	–	2,575,196	–	–		2,575,196
Unallocated corporate assets								40,029
Consolidated total assets								8,994,648
LIABILITIES								
Segment liabilities		61,972	550,095	3,404	53	15,638	2,157	633,319
Unallocated corporate liabilities								2,255,545
Consolidated total liabilities								2,888,864

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5. Business and geographical segments (Continued)

Other Information

	Year ended 31.12.2000							Consolidated HK\$'000
	Property invest- ment HK\$'000	Property develop- ment HK\$'000	Property manage- ment HK\$'000	Treasury investment and banking HK\$'000	Insurance business HK\$'000	Trading and manu- facturing HK\$'000	Others HK\$'000	
Capital additions	724	296,399	-	-	31	-	654	297,808
Depreciation and amortisation	197	337	-	-	642	2,006	1,531	4,713
Unrealised holding loss on other investments	-	-	-	17,961	-	-	-	17,961

Geographical Segments

The Group's operations are located in Hong Kong and other parts of the People's Republic of China (the "PRC"). Certain of the Group's property development and trading and manufacturing business are located in the PRC. Others are located in Hong Kong.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		Contribution to profit before tax	
	Year ended 31.12.2001 HK\$'000	Year ended 31.12.2000 HK\$'000	Year ended 31.12.2001 HK\$'000	Year ended 31.12.2000 HK\$'000
Hong Kong	265,590	295,415	94,287	112,326
PRC	18,323	96,687	(69,685)	72,695
	283,913	392,102	24,602	185,021
Share of results of associates			173,381	242,741
Profit before tax			197,983	427,762

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and property under development analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment and property under development	
	As at 31.12.2001 HK\$'000	As at 31.12.2000 HK\$'000	As at 31.12.2001 HK\$'000	As at 31.12.2000 HK\$'000
Hong Kong	7,400,516	7,184,734	114,296	65,446
PRC	2,017,242	1,809,220	241,992	232,362
Others	797	694	-	-
	9,418,555	8,994,648	356,288	297,808

6. Profit from operations

	2001 HK\$'000	2000 HK\$'000
Profit from operations has been arrived at after charging:		
Directors' emoluments (Note 8)	14,271	11,828
Other staff costs	35,307	31,812
Staff retirement scheme contributions, net of nil (2000: HK\$149,000) forfeited contributions	2,620	879
Total staff costs	52,198	44,519
Auditors' remuneration	998	827
Depreciation	5,117	4,713
Realised loss on disposal of other investments	–	458
Operating lease rentals in respect of land and buildings	3,379	5,793
Provision for impairment loss on properties under development	66,667	–
and after crediting:		
Gross rental income from investment properties	132,201	129,269
Less: Outgoings	(1,801)	(6,160)
Net rental income from properties	130,400	123,109
Realised gain on disposal of other investments	1,640	–
Surplus on revaluation of land and buildings	82	80
Gain on disposal of property, plant and equipment	71	–

7. Finance costs

	2001 HK\$'000	2000 HK\$'000
Interest on borrowings wholly repayable within five years:		
Bank loans and overdrafts	200,220	203,890
Other borrowings	20,942	24,152
	221,162	228,042
Less: Amount capitalised as cost of properties under development at a capitalisation rate of 5.25% (2000: 6.71%) per annum	(153,698)	(171,622)
	67,464	56,420

NOTES to the Financial Statements

For the year ended 31st December 2001

8. Directors' and employees' emoluments

	2001 HK\$'000	2000 HK\$'000
Directors' fees	800	800
Other emoluments:		
Salary and other benefits	12,568	10,883
Retirement scheme contributions	903	145
	14,271	11,828

The amounts disclosed above include emoluments of HK\$400,000 (2000: HK\$400,000) payable to independent non-executive directors.

Notes:

- (a) Emoluments of Directors were within the following bands:

Range	No. of directors	
	2001	2000
Nil to HK\$1,000,000	10	11
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	2
HK\$2,500,001 to HK\$3,000,000	1	–
HK\$4,500,001 to HK\$5,000,000	–	1
HK\$6,000,001 to HK\$6,500,000	1	–

- (b) The five highest paid employees are all executive directors of the Company. Their emoluments have been disclosed and included in the above.
- (c) During the year, no emoluments were paid by the Group to the five highest paid directors as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year.

9. Taxation

	2001 HK\$'000	2000 HK\$'000
Hong Kong Profits Tax:		
The Company and its subsidiaries		
Current year	16,547	10,993
Underprovision in prior years	370	2,192
	16,917	13,185
Associates	21,880	43,923
	38,797	57,108
Overseas tax:		
The Company and its subsidiaries	2,031	1,146
Associates	–	412
	2,031	1,558
	40,828	58,666

Hong Kong Profits Tax is calculated at 16% of the estimated assessable profits for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of the potential deferred tax credit (charge) not provided for in the year are set out in note 27.

10. Net profit for the year

Of the Group's net profit for the year, HK\$158,007,000 (2000: HK\$290,661,000) has been dealt with in the financial statements of the Company.

11. Dividends

	2001 HK\$'000	2000 HK\$'000
Interim dividend paid at HK\$0.10 (2000: HK\$0.14) per share	37,903	53,064
Proposed final dividend at HK\$0.10 (2000: HK\$0.21) per share	37,894	79,595
	75,797	132,659

The final dividend of HK\$0.10 (2000: HK\$0.21) per share has been proposed by the directors and is subject to approval by the shareholders in the forthcoming general meeting.

12. Earnings per share

The calculation of earnings per share is based on the net profit for the year of HK\$188,106,000 (2000: HK\$370,576,000) and on the weighted average number of 379,001,923 (2000: 379,026,974) shares in issue during the year.

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For the year ended 31st December 2001

13. Investment properties

	The Group HK\$'000	The Company HK\$'000
VALUATION		
At 1st January 2001	2,643,849	700,000
Deficit on revaluation	(20,000)	(20,000)
At 31st December 2001	2,623,849	680,000

The investment properties were revalued as at 31st December 2001 on an open market value basis by Vigers Hong Kong Ltd., a firm of independent professional valuers. The resulting deficit of the Group and of the Company of approximately HK\$20,000,000 (2000: surplus of HK\$78,608,000 and deficit of HK\$692,000 respectively) arising on revaluation have been charged to the investment property revaluation reserve respectively.

All investment properties are held for rental income under operating leases.

A summary of the carrying values of investment properties, which are all situated in Hong Kong, is as follow:

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Held under:				
Long leases	2,606,849	2,626,849	680,000	700,000
Medium-term leases	17,000	17,000	–	–
	2,623,849	2,643,849	680,000	700,000

14. Property, plant and equipment

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures, motor vehicles and computer equipment HK\$'000	Total HK\$'000
THE GROUP				
COST/VALUATION				
At 1st January 2001	3,874	26,895	23,786	54,555
Additions	–	504	6,724	7,228
Disposals	–	(327)	(1,256)	(1,583)
At 31st December 2001	3,874	27,072	29,254	60,200
COMPRISING:				
At cost	–	27,072	29,254	56,326
At valuation	3,874	–	–	3,874
	3,874	27,072	29,254	60,200
ACCUMULATED DEPRECIATION				
At 1st January 2001	–	6,750	19,556	26,306
Charge for the year	89	2,095	2,933	5,117
Eliminations on disposals	–	(93)	(1,256)	(1,349)
Surplus on revaluation	(89)	–	–	(89)
At 31st December 2001	–	8,752	21,233	29,985
NET BOOK VALUES				
At 31st December 2001	3,874	18,320	8,021	30,215
At 31st December 2000	3,874	20,145	4,230	28,249

A summary of the net book values of land and buildings held by the Group, which are all situated in the PRC, is as follows:

	2001 & 2000 HK\$'000
Held under:	
Long leases	364
Medium-term leases	3,510
	3,874

NOTES to the Financial Statements

For the year ended 31st December 2001

14. Property, plant and equipment (Continued)

	Land and building held in PRC under long lease HK\$'000	Furniture, fixtures, motor vehicles and computer equipment HK\$'000	Total HK\$'000
THE COMPANY			
COST/VALUATION			
At 1st January 2001	364	13,459	13,823
Additions	–	1,987	1,987
Disposals	–	(1,256)	(1,256)
At 31st December 2001	364	14,190	14,554
COMPRISING:			
At cost	–	14,190	14,190
At valuation	364	–	364
	364	14,190	14,554
ACCUMULATED DEPRECIATION			
At 1st January 2001	–	10,732	10,732
Charge for the year	7	1,598	1,605
Elimination on disposals	–	(1,256)	(1,256)
Surplus on revaluation	(7)	–	(7)
At 31st December 2001	–	11,074	11,074
NET BOOK VALUES			
At 31st December 2001	364	3,116	3,480
At 31st December 2000	364	2,727	3,091

The land and buildings were revalued as at 31st December 2001 on an open market value basis by Vigers Hong Kong Ltd., an independent firm of professional valuers. The resulting surplus arising on revaluation of the Group amounting to HK\$89,000 has been dealt with as follows:

- (i) a surplus of HK\$7,000 has been credited to the other property revaluation reserve; and
- (ii) a surplus of HK\$82,000 has been credited to the income statement.

The resulting surplus arising on revaluation of the Company amounting to HK\$7,000 has been credited to other property revaluation reserve.

The amount of land and buildings of the Group and of the Company that would have been included in the financial statements at the balance sheet date had the assets been carried at cost less accumulated depreciation is approximately HK\$4,775,000 and HK\$189,000 (2000: HK\$4,900,000 and HK\$194,000), respectively.

15. Properties under development

	The Group	
	2001 HK\$'000	2000 HK\$'000
Land situated in Hong Kong and held under long lease, at cost	520,070	520,070
Land situated in the PRC and held under medium-term lease, at cost less impairment loss	587,070	653,737
	1,107,140	1,173,807
Development expenditure to date	1,594,004	1,244,944
	2,701,144	2,418,751

Included in properties under development is net interest capitalised of approximately HK\$636,321,000 (2000: HK\$482,623,000).

16. Investments in subsidiaries

	The Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares/capital contribution, at cost	286,433	286,433
Less: Impairment loss	(34,372)	(34,372)
	252,061	252,061
Amounts due from subsidiaries, less impairment loss (note)	3,327,609	2,840,366
	3,579,670	3,092,427

Note: Included in the balance is an amount of HK\$734,498,000 (2000: HK\$644,519,000) due from a subsidiary, the repayment of which had been subordinated to a bank.

In the opinion of the Company's directors, the amounts due from subsidiaries will not be repayable in the next twelve months of the balance sheet date and, accordingly, the amounts have been classified as non-current assets.

NOTES to the Financial Statements

For the year ended 31st December 2001

16. Investments in subsidiaries (Continued)

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

Name of subsidiary	Place of incorporation or registration/ operations	Issued ordinary share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Liu Chong Hing Estate Company, Limited	Hong Kong	HK\$10,000,000	100	–	Investment holding
* Liu Chong Hing Godown Company, Limited	Hong Kong	HK\$72,000,000	100	–	Property investment
Liu Chong Hing Insurance Company Limited	Hong Kong	HK\$50,000,000	100	–	Insurance business
Liu Chong Hing Property Management and Agency Limited	Hong Kong	HK\$1,000,000	100	–	Property management and agency
Abaleen Enterprises Limited	Hong Kong	HK\$100,000	100	–	Property investment
Alain Limited	Hong Kong	HK\$9,500	52.6	21.4	Investment holding
Bonsun Enterprises Limited	Hong Kong	HK\$2,000,000	100	–	Property investment
* Chong Yip Finance Limited	Hong Kong	HK\$1,000,000	100	–	Money lending
Devon Realty Limited	Hong Kong	HK\$200	100	–	Property investment
Donington Company Limited	Hong Kong	HK\$200	100	–	Property investment
Gem Gain Enterprises Limited	Hong Kong	HK\$30	100	–	Investment holding
Great Earnest Limited	Hong Kong	HK\$200	100	–	Property investment
Great Fun Company Limited	Hong Kong	HK\$200	100	–	Investment holding
Heng Kin Investment Limited	Hong Kong	HK\$2	100	–	Property investment
Jacot Limited	Hong Kong	HK\$2	100	–	Investment holding

16. Investments in subsidiaries (Continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued ordinary share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Joyful Nice International Investment Limited	Hong Kong	HK\$2	100	–	Investment holding
Ko Yew Company Limited	Hong Kong	HK\$200	100	–	Property investment
Luxpolar Limited	Hong Kong	HK\$2	–	100	Property investment
Marble Kingdom Limited	Hong Kong	HK\$2	100	–	Investment holding
Oriental Victory Investment Limited	Hong Kong	HK\$2	100	–	Property investment
Queen Profit International Investment Limited	Hong Kong	HK\$61,540	83.75	–	Investment holding
Sino Pink Development Limited	Hong Kong	HK\$2	100	–	Property development
Speed World Investment Limited	Hong Kong	HK\$100	–	60	Investment holding
Top Team Limited	Hong Kong	HK\$200	100	–	Investment holding
Wealth Good Investment Limited	Hong Kong	HK\$2	100	–	Investment holding
* Yue Tung Ching Kee Company Limited	Hong Kong	HK\$2,000,000	100	–	Property investment
* Guangzhou Chong Hing Property Development Company Limited	PRC	RMB170,000,000	–	60	Property development
* Maanshan Gaoke Magnetic Material Company Limited	PRC	RMB41,000,000	–	51.5	Manufacturing of magnetic materials

NOTES to the Financial Statements

For the year ended 31st December 2001

16. Investments in subsidiaries (Continued)

Name of subsidiary	Place of incorporation or registration/ operations	Issued ordinary share capital/ registered capital	Proportion of nominal value of issued capital/registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Shanghai Huang Pu Liu Chong Hing Property Development Company Limited	PRC	US\$27,000,000	–	70.3	Property development
China Link Technologies Limited	British Virgin Islands/ Hong Kong	US\$100	100	–	Investment holding
Determined Resources Limited	British Virgin Islands/ Hong Kong	US\$1,000	100	–	Share investment
Linktime International Development Limited	British Virgin Islands/ PRC	US\$10	–	60	Consultancy services
Terryglass Limited	British Virgin Islands/ Thailand	US\$1,000	100	–	Investment holding

None of the subsidiaries had any loan capital subsisting at 31st December 2001 or at any time during the year.

The Company's directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of subsidiaries which principally affect the results or net assets of the Group.

* The financial statements of these subsidiaries for the year ended 31st December 2001 are not audited by Messrs. Deloitte Touche Tohmatsu

17. Investments in associates

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	–	–	3	3
Share of net assets of associates which are				
– listed in Hong Kong	2,602,476	2,571,946	–	–
– unlisted	2,166	2,050	–	–
	2,604,642	2,573,996	3	3
Amounts due from associates	517	1,200	–	–
	2,605,159	2,575,196	3	3
Market value of listed shares at 31st December	1,412,882	1,775,914	–	–

In the opinion of the Company's directors, the amounts due from associates will not be repayable in the next twelve months of the balance sheet date and, accordingly, the amounts have been classified as non-current assets.

Particulars of the Group's principal associates at 31st December 2001 are as follows:

Name of associate	Place of incorporation/ operations	Class of share held	Proportion of nominal value of issued capital/ registered capital held by the Company		Principal activity
			Directly %	Indirectly %	
Liu Chong Hing Bank Limited (listed in Hong Kong) ("LCH Bank")	Hong Kong	Ordinary	–	45.1	Banking business
Falconmate Limited	Hong Kong	Ordinary	50.0	–	Property investment
Pelham Hill Limited	Hong Kong	Ordinary	25.0	–	Investment holding

The Company's directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the above list discloses only the particulars of those associates which principally affect the results or net assets of the Group.

NOTES to the Financial Statements

For the year ended 31st December 2001

17. Investments in associates (Continued)

The following details have been extracted from the audited financial statements of the Group's principal associate, LCH Bank, and its subsidiaries (hereinafter collectively referred to as the "LCH Bank Group").

Consolidated results of LCH Bank Group for the year ended 31st December 2001 are as follows:

	2001 HK\$'000	2000 HK\$'000
Interest income	1,979,195	2,608,729
Interest expenses	(1,182,514)	(1,668,593)
Net interest income	796,681	940,136
Other operating income	156,494	177,113
Operating income	953,175	1,117,249
Operating expenses	(423,682)	(404,568)
Operating profit before provisions and disposal of long-term assets	529,493	712,681
Charge for bad and doubtful debts	(136,437)	(171,533)
Net (losses) gains from disposal of property and equipment	(843)	40
Gains less losses from disposal of other securities	15,926	13,641
Gains less losses from disposal of held-to-maturity securities	5,088	–
Profit from operations	413,227	554,829
Share of results of jointly controlled entities	(18,882)	–
Profit from ordinary activities before taxation	394,345	554,829
Taxation	(48,458)	(98,231)
Net profit for the year	345,887	456,598

LCH Bank Group has selected the alternative treatment for securities other than held-to-maturity securities upon adoption of SSAP 24 "Accounting for investments in securities" issued by the Hong Kong Society of Accountants, under which the valuation movements of non-trading securities are dealt with in equity while those of trading securities are dealt with in the income statement.

17. Investments in associates (Continued)

Consolidated financial position of LCH Bank Group as at 31st December 2001:

	2001 HK\$'000	2000 HK\$'000
Assets		
Cash and short-term funds	14,269,839	14,558,320
Placements with banks and other financial institutions maturing between one and twelve months	3,201,738	2,780,442
Trading securities	172,335	169,790
Advances and other accounts	18,931,110	19,380,420
Held-to-maturity securities	494,874	110,573
Certificates of deposit held	476,194	128,449
Other securities	288,152	290,434
Interest in an associate	360,139	344,767
Interest in jointly controlled entities	75,668	51,800
Investment properties	47,868	34,700
Property and equipment	1,145,313	1,142,105
Total assets	39,463,230	38,991,800
Liabilities		
Deposits and balances of banks and other financial institutions	544,206	1,158,721
Current, fixed, savings and other deposits of customers	32,685,720	31,108,597
Certificates of deposit issued	–	23,398
Other accounts and provisions	436,519	889,607
Taxation	803	83,173
Total liabilities	33,667,248	33,263,496
Net tangible assets	5,795,982	5,728,304

NOTES to the Financial Statements

For the year ended 31st December 2001

18. Investments in securities

	Investment securities		Other investments		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
THE GROUP						
Equity securities:						
Listed in Hong Kong	–	–	67,362	66,469	67,362	66,469
Listed overseas	–	–	797	694	797	694
Unlisted	88,390	72,888	185,324	177,801	273,714	250,689
	88,390	72,888	253,483	244,964	341,873	317,852
Market value of listed securities:						
Listed in Hong Kong	–	–	67,362	66,469	67,362	66,469
Listed overseas	–	–	797	694	797	694
	–	–	68,159	67,163	68,159	67,163
Carrying amount analysed for reporting purposes as:						
Current	–	–	20,785	25,636	20,785	25,636
Non-current	88,390	72,888	232,698	219,328	321,088	292,216
	88,390	72,888	253,483	244,964	341,873	317,852
THE COMPANY						
Equity securities:						
Listed in Hong Kong	–	–	20,785	25,636	20,785	25,636
Listed overseas	–	–	162	141	162	141
Unlisted	1,725	1,725	26,484	48,960	28,209	50,685
	1,725	1,725	47,431	74,737	49,156	76,462
Market value of listed securities:						
Listed in Hong Kong	–	–	20,785	25,636	20,785	25,636
Listed overseas	–	–	162	141	162	141
	–	–	20,947	25,777	20,947	25,777
Carrying amount analysed for reporting purposes as:						
Current	–	–	20,785	25,636	20,785	25,636
Non-current	1,725	1,725	26,646	49,101	28,371	50,826
	1,725	1,725	47,431	74,737	49,156	76,462

19. Advances to investee companies

The advances are unsecured, bear interests at market interest rates and have no fixed repayment terms. In the opinion of the Company's directors, the investee companies will not repay the advance in the next twelve months of the balance sheet date and, accordingly, the amounts have been classified as non-current assets. Included in the advances is an amount of approximately HK\$623,809,000 (2000: HK\$584,539,000) which is subordinated to the repayment of bank loans of one of the investee companies.

20. Amount due from a former subsidiary

The balance represents the amount due from a former subsidiary which was engaged in property development. This subsidiary was sold by the Company to a third party in 2000. This amount is interest-free and is secured by a share charge on the former subsidiary's entire share capital and a first floating charge on certain of its assets. The maturity of the amounts is as follows:

	2001 HK\$'000	2000 HK\$'000
Amount due within one year, included in trade and other receivables	40,232	25,940
Amount due after one year	–	29,614
	40,232	55,554

21. Inventories

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Raw materials	2,065	1,372	–	–
Work in progress	1,479	869	–	–
Finished goods	8,651	10,325	1,283	2,373
	12,195	12,566	1,283	2,373

The cost of inventories recognised as an expense during the year amounted to approximately HK\$30,336,000 (2000: HK\$42,950,000).

22. Trade and other receivables

The Group operates a controlled credit policy and allows an average credit period of 30 – 90 days to its trade customers who satisfy the credit evaluation. The aging analysis of trade receivable of HK\$64,480,000 (2000: HK\$52,238,000) which are included in trade and other receivables are as follows:

	2001 HK\$'000	2000 HK\$'000
Current	53,927	39,086
Over 30 days	4,366	6,364
Over 90 days	6,187	6,788
	64,480	52,238

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23. Borrowings

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans				
Secured	402,215	384,868	320,000	320,000
Unsecured	1,985,000	1,635,000	1,985,000	1,635,000
Secured loan from LCH Bank Group	358,000	300,000	358,000	300,000
Secured bank overdrafts granted by LCH Bank Group	1,759	1,832	1,547	1,832
Total bank borrowings	2,746,974	2,321,700	2,664,547	2,256,832
Amount due to an associate (note)	411,605	376,064	2,009	1,794
Amounts due to minority shareholders (note)	14,317	67,090	–	–
	3,172,896	2,764,854	2,666,556	2,258,626
The maturity of borrowings is as follows:				
Bank borrowings				
On demand or within one year	853,974	831,832	771,547	831,832
More than one year but not exceeding two years	1,298,000	724,868	1,298,000	660,000
More than two years but not exceeding five years	595,000	765,000	595,000	765,000
	2,746,974	2,321,700	2,664,547	2,256,832
Less: Amount due within one year shown under current liabilities	(853,974)	(831,832)	(771,547)	(831,832)
Total bank borrowings	1,893,000	1,489,868	1,893,000	1,425,000
Amount due to associates (note)	411,605	376,064	2,009	1,794
Amounts due to minority shareholders (note)	14,317	67,090	–	–
Amounts due after one year	2,318,922	1,933,022	1,895,009	1,426,794

Note: These borrowings are unsecured, bear interest at market interest rates and have no fixed repayment terms. In the opinion of the Company's directors, the respective creditors will not demand repayment in the next twelve months of the balance sheet date and, accordingly, the amounts have been classified as non-current liabilities.

24. Trade and other payables

At balance sheet date, included in trade and other payables are trade payable of HK\$25,711,000 (2000: HK\$33,664,000) and the aging analysis are as follows:

	2001 HK\$'000	2000 HK\$'000
Current	15,457	23,860
Over 30 days	7,697	7,931
Over 90 days	2,557	1,873
	25,711	33,664

25. Share capital

	2001 HK\$'000	2000 HK\$'000
Ordinary shares of HK\$1 each		
Authorised:		
At 1st January and 31st December	600,000	600,000
Issued and fully paid:		
At 1st January	379,025	379,081
Shares repurchased and cancelled	(82)	(56)
At 31st December	378,943	379,025

During the year, the Company repurchased a total 82,000 shares (2000: 56,000 shares) of HK\$1 each in the Company through the Hong Kong Stock Exchange. All such shares have been cancelled and the total consideration was charged to accumulated profits as follows:

Trading month/year	Number of shares repurchased	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
September 2001	82,000	4.075	3.950	327

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's shares during the year.

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26. Reserves

	Capital reserve (Note) HK\$'000	General reserve (Note) HK\$'000	Inner reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE GROUP											
At 1st January 2000											
– as originally stated	432,349	704,047	79,448	537,825	2,030,649	4,849	2,454	(4,944)	–	1,477,186	5,263,863
– prior year adjustment (see note 2)	–	–	–	–	–	–	–	–	79,595	–	79,595
As restated	432,349	704,047	79,448	537,825	2,030,649	4,849	2,454	(4,944)	79,595	1,477,186	5,343,458
Share of surplus on revaluation of investments of associates	–	–	–	–	–	23,147	–	–	–	–	23,147
Exchange differences arising on translation of overseas operations	–	–	–	–	–	–	–	(662)	–	–	(662)
Goodwill arising on acquisition of additional interest in a subsidiary	(1,664)	–	–	–	–	–	–	–	–	–	(1,664)
Net surplus on revaluation	–	–	–	78,608	170	–	–	–	–	–	78,778
Share of surplus on revaluation of properties of associates	–	–	–	–	10,666	–	–	–	–	–	10,666
Share of exchange translation differences of associates	–	–	–	–	–	–	–	929	–	–	929
Eliminated on disposal of a subsidiary	(85)	–	–	–	–	–	–	(1,757)	–	–	(1,842)
Net profit for the year	–	–	–	–	–	–	–	–	–	370,576	370,576
Dividend declared	–	–	–	–	–	–	–	–	132,659	(132,659)	–
Dividend paid	–	–	–	–	–	–	–	–	(132,659)	–	(132,659)
Cancellation on repurchase of own shares	–	–	–	–	–	–	56	–	–	(278)	(222)
At 1st January 2001	430,600	704,047	79,448	616,433	2,041,485	27,996	2,510	(6,434)	79,595	1,714,825	5,690,505
Share of deficit on revaluation of investments of associates	–	–	–	–	–	(16,446)	–	–	–	–	(16,446)
Exchange differences arising on translation of overseas operations	–	–	–	–	–	–	–	(1,725)	–	–	(1,725)
Net (deficit) surplus on revaluation	–	–	–	(20,000)	7	–	–	–	–	–	(19,993)
Share of deficit on revaluation of properties of associates	–	–	–	–	(10,880)	–	–	–	–	–	(10,880)
Share of exchange translation differences of associates	–	–	–	–	–	–	–	(60)	–	–	(60)
Net profit for the year	–	–	–	–	–	–	–	–	–	188,106	188,106
Dividend declared	–	–	–	–	–	–	–	–	75,797	(75,797)	–
Dividend paid	–	–	–	–	–	–	–	–	(117,498)	–	(117,498)
Cancellation on repurchase of own shares	–	–	–	–	–	–	82	–	–	(327)	(245)
At 31st December 2001	430,600	704,047	79,448	596,433	2,030,612	11,550	2,592	(8,219)	37,894	1,826,807	5,711,764
Share of reserves of associates included above	345,886	659,047	79,448	30,197	499,494	11,550	–	2,680	–	813,038	2,441,340

26. Reserves (Continued)

	Capital reserve (Note) HK\$'000	General reserve (Note) HK\$'000	Inner reserve HK\$'000	Investment property revaluation reserve HK\$'000	Other property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital redemption reserve HK\$'000	Exchange reserve HK\$'000	Dividend reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
THE COMPANY											
At 1st January 2000											
– as originally stated	3	–	–	317,079	–	–	2,454	–	–	1,096,859	1,416,395
– prior year adjustment (see note 2)	–	–	–	–	–	–	–	–	79,595	(273,200)	(193,605)
As restated	3	–	–	317,079	–	–	2,454	–	79,595	823,659	1,222,790
Profit for the year	–	–	–	–	–	–	–	–	–	290,661	290,661
Dividend declared	–	–	–	–	–	–	–	–	132,659	(132,659)	–
Dividend paid	–	–	–	–	–	–	–	–	(132,659)	–	(132,659)
(Deficit) surplus on revaluation	–	–	–	(692)	170	–	–	–	–	–	(522)
Cancellation on repurchase of own shares	–	–	–	–	–	–	56	–	–	(278)	(222)
At 1st January 2001	3	–	–	316,387	170	–	2,510	–	79,595	981,383	1,380,048
Profit for the year	–	–	–	–	–	–	–	–	–	158,007	158,007
Dividend declared	–	–	–	–	–	–	–	–	75,797	(75,797)	–
Dividend paid	–	–	–	–	–	–	–	–	(117,498)	–	(117,498)
(Deficit) surplus on revaluation	–	–	–	(20,000)	7	–	–	–	–	–	(19,993)
Cancellation on repurchase of own shares	–	–	–	–	–	–	82	–	–	(327)	(245)
At 31st December 2001	3	–	–	296,387	177	–	2,592	–	37,894	1,063,266	1,400,319

The Company's reserves available for distribution to shareholders at 31st December 2001 amounted to HK\$1,101,160,000 (2000: HK\$1,060,978,000), being its accumulated profits and dividend reserve at that date.

Note: Capital reserve represent goodwill/reserve arising on consolidation of subsidiaries and associates.

General reserve represent distributable reserves set aside by the Company's subsidiaries and associates for future development.

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27. Unrecognised deferred taxation

The components of unrecognised deferred tax assets (liabilities) at the balance sheet date are as follows:

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:				
Taxation losses	50,257	42,168	34,582	30,353
Excess of tax allowances over depreciation	(288)	(317)	(369)	(327)
	49,969	41,851	34,213	30,026

The components of unprovided deferred tax credit (charge) for the year are as follows:

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences because of:				
Taxation losses	8,089	3,899	4,229	1,299
Excess of tax allowances over depreciation	29	225	(42)	121
	8,118	4,124	4,187	1,420

The net deferred tax assets have not been recognised in the financial statements as it is not certain that the tax benefits will be realised in the foreseeable future.

Deferred taxation has not been provided on the revaluation surplus arising on the Group's properties and the non-trading investments of its associates because profits arising on future disposal of these assets would not be subject to taxation. Accordingly, the surplus arising on revaluation does not constitute a timing difference for tax purpose.

28. Reconciliation of profit before tax to net cash (outflow) inflow from operating activities

	2001 HK\$'000	2000 HK\$'000
Profit before tax	197,983	427,762
Share of results of associates	(173,381)	(242,741)
Interest expenses	67,464	56,420
Depreciation	5,117	4,713
Provision for impairment loss on properties under development	66,667	–
Unrealised holding gain on other investment	(20,421)	(14,039)
(Gain) loss on disposal of other investments	(1,640)	458
Gain on disposal of property, plant and equipment	(71)	–
Reserves eliminated on disposal of a subsidiary	–	(1,842)
Surplus on revaluation of leasehold land and buildings	(82)	(80)
Increase in properties under development	(195,362)	(124,509)
Decrease (increase) in amount due from a former subsidiary	15,322	(55,554)
Decrease (increase) in inventories	371	(2,169)
Decrease in properties held for sale	–	1,544
Decrease (increase) in trade and other receivables	6,323	(3,614)
Increase in trade and other payables	25,408	9,942
Net cash (outflow) inflow from operating activities	(6,302)	56,291

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For the year ended 31st December 2001

29. Analysis of changes in financing during the year

	Borrowings (excluding cash and cash equivalents) HK\$'000	Share capital HK\$'000
At 1st January 2000	2,557,727	379,081
New borrowings raised	983,295	–
Repayments	(778,000)	–
Cash outflow for repurchase of own shares	–	(278)
Repurchase of own shares paid out of accumulated profits	–	278
Nominal value of shares cancelled transferred to capital redemption reserve	–	(56)
At 1st January 2001	2,763,022	379,025
New borrowings raised	1,220,888	–
Repayments	(812,773)	–
Cash outflow for repurchase of own shares	–	(327)
Repurchase of own shares paid out of accumulated profits	–	327
Nominal value of shares cancelled transferred to capital redemption reserve	–	(82)
At 31st December 2001	3,171,137	378,943

30. Share option scheme

The share option scheme of the Company provides that the directors of the Company may offer to any employees (including executive directors) of the Company on any of its subsidiaries options to subscribe for shares in the Company in accordance with the terms of the share option scheme. However, no options were granted during the year or outstanding at the balance sheet date.

31. Pledge of assets

The Group

At the balance sheet date, certain properties under development and investment properties of the Group with an aggregate carrying amount of HK\$1,904,000,000 (2000: HK\$1,816,000,000) were pledged to banks to secure general banking facilities made available to the Group. In addition, the Group had also executed a share mortgage of its investment in an investee company with a carrying amount of HK\$132,102,000 (2000: HK\$102,102,000) in favour of banks against facilities granted to that investee company.

The Company

At the balance sheet date, the investment properties of the Company with an aggregate carrying amount of HK\$680,000,000 (2000: HK\$700,000,000) were pledged to banks to secure general banking facilities made available to the Company. In addition, the Company also pledged the shares of a subsidiary in favour of a bank against facilities granted to that subsidiary.

32. Contingent liabilities

At the balance sheet date, the Group and the Company had given a corporate guarantee to a bank for banking facilities amounting to HK\$70,000,000 (2000: Nil) granted to an investee company.

In addition, the Company had given corporate guarantees to bank for banking facilities amounting to HK\$150,000,000 (2000: HK\$150,000,000) granted to a subsidiary.

33. Capital commitments

	The Group	
	2001 HK\$'000	2000 HK\$'000
Capital expenditure in respect of property development expenditure contracted for but not provided in the financial statements	180,079	227,758
Capital expenditure in respect of the contributions to the capital of an investee company contracted for but not provided in the financial statements	83,087	70,701
Capital expenditure in respect of the renovation works of investment properties contracted for but not provided in the financial statements	191	2,250
	263,357	300,709

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

34. Operating lease commitments

The Group as lessee

At the balance sheet date, the Group and the Company has commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	1,359	2,142	794	1,011
In the second to fifth year inclusive	–	1,409	–	844
	1,359	3,551	794	1,855

Operating lease payments represent rentals for certain of its office properties. Leases are negotiated for an average of two years and rentals are fixed throughout the leases period.

NOTES to the Financial Statements

For the year ended 31st December 2001

34. Operating lease commitments (Continued)

The Group as lessor

Property rental income earned during the year for the Group amounted to approximately HK\$132 million (2000: HK\$129 million). Most of the properties held have committed tenants for the next one to five years except that one of the leases was signed for a term of sixty years, the monthly rent of which is to be reviewed every five years. The future minimum lease payments for the remaining period of the lease term from this tenant is calculated based on the existing monthly payment.

At the balance sheet date, the Group and the Company had contracted with tenants for the following future minimum lease payments:

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	95,275	97,752	15,695	17,850
In the second to fifth year inclusive	51,339	110,975	13,542	25,784
After five years	61,618	62,938	–	–
	208,232	271,665	29,237	43,634

35. Retirement benefits scheme

The Group operates a defined contribution retirement benefits scheme (the "ORSO Scheme") for the qualifying employees of certain companies in the Group and in December 2000, enrolled all other eligible employees into a Mandatory Provident Fund ("MPF") Scheme. The ORSO Scheme is registered under the Occupation Retirement Schemes Ordinance. The assets of both schemes are held separately from those of the Group in funds under the control of trustees.

The contributions payable to the fund by the Group are charged to income statement at rates specified in the rules of the ORSO Scheme. Where there are employees who leave the ORSO Scheme prior to vesting fully in the contributions, the contributions payable by the Group are reduced by the amount of forfeited contributions. At the balance sheet date, there was no forfeited contributions (2000: HK\$149,000) arising upon employees leaving the ORSO Scheme which are available to reduce the contributions payable in the future years.

The retirement benefit cost for the MPF charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the MPF Scheme.

36. Related party disclosures

During the year, the Group entered into the following significant transactions with related parties:

	2001 HK\$'000	2000 HK\$'000
Income receivable from an associate		
Rental income	6,631	5,435
Management and other service fee income	3,119	2,547
Interest income	1,707	2,804
Insurance income	2,806	2,426
	14,263	13,212
Expenses payable to an associate		
Interest expenses	16,931	22,696
Rental expenses	2,100	2,160
	19,031	24,856

The prices of the above transactions were determined by the directors with reference to market prices or prices for similar transactions with unrelated third parties.

In addition, at 31st December 2001, the Group and the Company had outstanding balances with related parties, details of which are set out in the balance sheets, notes 16, 17, 19 and 23 respectively.

Further, at 31st December 2001 certain investment properties of the Group with an aggregate net book value of HK\$407 million (2000: HK\$407 million) have been pledged to the LCH Bank Group to secure banking facilities granted to the Group.