1. CORPORATE INFORMATION

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

- Property investment and management
- Property construction and development
- Horticultural services

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

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

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

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

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

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

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, and therefore no prior year adjustment has been required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 31 to these financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company's own financial statements for the year. The revised SSAP requirements has had no effect on the amounts previously reported in the prior year financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group's predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures which are set out in note 4 to these financial statements.

SSAP 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The revised SSAP requirements has had no effect on the accounts previously reported in the prior year financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have no effect on these financial statements.

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

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the balance sheet. It requires that goodwill is amortised to the profit and loss account over its estimated useful life. Negative goodwill is recognised in the profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to these financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill/negative goodwill arising from acquisitions in previous years which remains eliminated against/credited to reserves. The adoption of the SSAP and Interpretation has resulted in a prior year adjustment, further details of which are included in note 16 to these financial statements. The required new additional disclosures are included in notes 16 and 28 to these financial statements.

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

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

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year's financial statements:

- SSAP 10: "Accounting for investments in associates"
- SSAP 17: "Property, plant and equipment"
- SSAP 21: "Accounting for interests in joint ventures"

These revised SSAPs requirements have had no effect on the amounts previously reported in the prior year financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Associate

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

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in reserves, is included as part of the Group's interest in an associate.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill/Negative goodwill

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

Goodwill arising on acquisition is recognised in the balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not more than 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

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

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

In the case of associates, any negative goodwill not yet recognised in the profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

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

The carrying amount of goodwill/negative goodwill, including goodwill/negative goodwill remaining eliminated against/credited to reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill/negative goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

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

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

Fixed assets and depreciation
Fixed assets, other than investment properties, are stated at cost or valuation less accumulated depreciation and any impairment losses.

The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

For assets stated at valuation, changes in the values of fixed assets, other than investment properties, are dealt with as movements in the revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the lease terms
Buildings	2.5%
Equipment	20%
Furniture and fixtures	20%
Motor vehicles	20%

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

Investment properties

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property held for future development

Property held for future development is stated at cost less any impairment losses.

Properties held for sale

Properties held for sale are classified as current assets and stated at the lower of cost and net realisable value. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprises direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method when the outcome of the contracts can be ascertained with reasonable certainty and when the value of work certified by the project architect exceeds 30% of the contract value.

Provision is made for foreseeable losses and contingencies as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Operating leases

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the standard cost basis which approximates the average actual cost and comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

Deferred tax

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

Foreign currencies

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

On consolidation, the financial statements of subsidiaries and an associate denominated in other currencies are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Related parties

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash equivalents

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

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Long term investments

Long term investments in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

When impairments in values have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments in values cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long term investments (continued)

The fair values of such listed securities are their quoted market prices at the balance sheet date.

The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Short term investment

Short term investments in listed equity securities are stated at their fair values at the balance sheet date, on an individual investment basis. The fair values of such listed securities are their quoted market prices at the balance sheet date. The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Revenue recognition

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

(a) rental income, on the straight-line basis over the leases terms;

(b) management fee income, when the services are rendered;

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

(d) from the disposal of properties, when the legally binding sales contract is signed and exchanged and the transaction becomes unconditional;

(e) from the trading of listed investments, on the transaction date;

(f) dividends, when the shareholders' right to receive payment is established; and

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Retirement benefits scheme

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

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

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

(a) Property investment and management;

(b) Property construction and development; and

(c) Horticultural services.

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

Intersegment sales and transfers are transacted at the terms agreed between the parties and with reference to third party prices.

4. SEGMENT INFORMATION (continued)

(a) Business segments

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

2001	Property investment and management HK$	Property construction and development HK$	Horticultural services HK$	Corporate and other HK$	Eliminations HK$	Consolidated HK$
Segment revenue:						
Sales to external customers	35,072,583	39,494,832	3,302,010	-	-	77,869,425
Intersegment sales	2,938,333	2,037,702	-	-	(4,976,035)	-
Other revenue	-	-	-	369,390	-	369,390
Total revenue	38,010,916	41,532,534	3,302,010	369,390	(4,976,035)	78,238,815
Segment results	8,770,818	(2,913,323)	(582,149)	(37,018,940)	15,654,831	(16,088,763)
Interest income						212,968
Loss from operating activities						(15,875,795)
Finance costs						(27,204,394)
Share of loss of an associate	(3,420,376)					(3,420,376)
Loss before tax						(46,500,565)
Tax credit						1,188,351
Loss before minority interests						(45,312,214)
Minority interests						(754,157)
Net loss attributable to shareholders						(46,066,371)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

2000	Property investment and management HK$	Property construction and development HK$	Horticultural services HK$	Corporate and other HK$	Eliminations HK$	Consolidated HK$
Segment revenue:						
Sales to external customers	140,329,689	–	3,434,876	–	–	143,764,565
Intersegment sales	2,508,000	2,248,994	–	–	(4,756,994)	–
Other revenue	–	–	–	3,526,366	–	3,526,366
Total revenue	142,837,689	2,248,994	3,434,876	3,526,366	(4,756,994)	147,290,931
Segment results	(90,863,570)	(2,464,241)	(913,082)	(30,354,811)	14,828,000	(109,767,704)
Interest income						792,840
Loss from operating activities						(108,974,864)
Finance costs						(41,338,944)
Share of loss of an associate	(4,109,720)					(4,109,720)
Loss before tax						(154,423,528)
Tax credit						4,620,849
Loss before minority interests						(149,802,679)
Minority interests						(1,803,916)
Net loss attributable to shareholders						(151,606,595)

4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

	Property investment and management HK$	Property construction and development HK$	Horticultural services HK$	Corporate and other HK$	Eliminations HK$	Consolidated HK$
2001						
Segment assets	**1,983,813,051**	**165,325,567**	**2,418,906**	**3,382,651,630**	**(4,219,288,931)**	**1,314,920,223**
Interest in an associate	**431,619,833**	**–**	**–**	**–**	**–**	**431,619,833**
Unallocated	**–**	**–**	**–**	**–**	**–**	**4,800,000**
Total assets	**2,415,432,884**	**165,325,567**	**2,418,906**	**3,382,651,630**	**(4,219,288,931)**	**1,751,340,056**
Segment liabilities	**1,222,572,693**	**84,178,481**	**3,326,158**	**144,961,111**	**(934,249,389)**	**520,789,054**
Other segment information:						
Depreciation	**728,669**	**–**	**47,179**	**1,316,321**	**–**	**2,092,169**
Impairment losses recognised in the profit and loss account	**12,228,252**	**–**	**–**	**216,280**	**–**	**12,444,532**
Capital expenditure	**105,364**	**2,067,082**	**260,000**	**1,273,777**	**–**	**3,706,223**
2000						
Segment assets	2,112,381,275	204,870,501	1,996,123	3,263,645,270	(4,174,857,671)	1,408,035,498
Interest in an associate	584,455,309	–	–	–	–	584,455,309
Unallocated	–	–	–	–	–	4,900,000
Total assets	2,696,836,584	204,870,501	1,996,123	3,263,645,270	(4,174,857,671)	1,997,390,807
Segment liabilities	1,133,980,350	117,657,308	3,125,899	137,366,837	(882,181,118)	509,949,276
Bank overdrafts included in segment assets	–	12,614,710	–	–	–	12,614,710
Total liabilities	1,133,980,350	130,272,018	3,125,899	137,366,837	(882,181,118)	522,563,986
Other segment information:						
Depreciation	700,567	–	23,888	1,394,387	–	2,118,842
Impairment losses recognised in the profit and loss account	–	–	–	2,435,431	–	2,435,431
Capital expenditure	772,569	5,312,971	27,499	790,598	–	6,903,637

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

	Hong Kong and Mainland China HK$	Singapore HK$	Eliminations HK$	Consolidated HK$
2001				
Segment revenue:				
Sales to external customers	**77,869,425**	**–**	**–**	**77,869,425**
Segments results	**(31,089,206)**	**(654,388)**	**15,654,831**	**(16,088,763)**
Other segment information:				
Segment assets	**5,537,415,971**	**433,213,016**	**(4,219,288,931)**	**1,751,340,056**
Capital expenditure	**3,706,223**	**–**	**–**	**3,706,223**
2000				
Segment revenue:				
Sales to external customers	143,764,565	–	–	143,764,565
Segments results	(121,011,628)	(3,584,076)	14,828,000	(109,767,704)
Other segment information:				
Segment assets	5,585,047,214	587,201,264	(4,174,857,671)	1,997,390,807
Capital expenditure	6,903,637	–	–	6,903,637

5. TURNOVER AND REVENUE

Turnover represents the aggregate income from property investment and management services, property construction and development and horticultural services.

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

	2001 HK$	2000 HK$
TURNOVER		
Property investment and management	**35,072,583**	140,329,689
Property construction and development	**39,494,832**	–
Horticultural services	**3,302,010**	3,434,876
	77,869,425	143,764,565
OTHER REVENUE		
Proceeds from disposal of listed investments	**–**	5,876,539
Interest income	**212,968**	792,840
Proceeds from disposal of fixed assets	**238,400**	899,793
Write-back of cost overprovided on construction projects	**–**	949,631
Others	**130,990**	1,959,455
	582,358	10,478,258
	78,451,783	154,242,823

6. LOSS FROM OPERATING ACTIVITIES

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

	2001	2000
	HK$	HK$
Depreciation	**2,092,169**	2,118,842
Minimum lease payments under operating leases on land and buildings	**143,308**	181,358
Auditors' remuneration	**364,000**	364,000
Loss on disposal of property under development	**–**	108,494,734
Provision for impairment of loan receivable	**3,650,000**	–
Provision for impairment of properties held for sale	**8,578,252**	–
Provision for impairment of long term unlisted investments	**100,000**	945,125
Provision for impairment of short term listed investments	**116,280**	1,490,306
Staff costs (excluding directors' remuneration *(note 7)*):		
Salaries and allowances	**13,265,618**	11,753,334
Pension contributions	**581,945**	10,840
Total staff costs	**13,847,563**	11,764,174
Exchange losses	**5,301**	59,217
Loss/(gain) on disposal of fixed assets	**84,540**	(421,141)
Rental income, gross of HK$33,181,811 (2000: HK$33,507,110) less outgoings of HK$3,656,300 (2000: HK$3,439,605)	**(29,525,511)**	(30,067,505)
Interest income	**(212,968)**	(792,840)
Gain on disposal of short term listed investments	**–**	(196,139)

7. DIRECTORS' REMUNERATION

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

	2001 HK$	2000 HK$
Fees:		
Executive directors	–	–
Independent non-executive directors	200,000	200,000
	200,000	200,000
Other emoluments of executive directors:		
Salaries, allowances and benefits in kind	5,060,987	5,156,362
Pensions scheme contributions	75,098	–
	5,136,085	5,156,362
	5,336,085	5,356,362

The emoluments disclosed above do not include the monetary value of rent-free accommodation provided to an executive director of the Company through a property owned by the Group. The monetary value of such residential accommodation provided to the director based on the tenancy agreement entered by two of the Group companies was HK$960,000 (2000: HK$1,080,000) during the year.

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2001	2000
Nil – HK$1,000,000	4	4
HK$1,000,001 – HK$1,500,000	2	2
HK$2,500,001 – HK$3,000,000	1	1
	7	7

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

7. DIRECTORS' REMUNERATION (continued)

In the prior year, 15,000,000 shares options each were granted to Cheong Pin Chuan, Patrick, Cheong Kim Pong, Cheong Pin Seng and Cheong Sim Eng, directors of the Company at the consideration of HK$1 per grant. No value in respect of the share options granted was charged to the profit and loss account in the prior year. Further details of share options are included in note 27 to the financial statements.

No share options were granted during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included three (2000: three) directors, details of whose remuneration are set out in note 7 above. The details of the remuneration of the remaining two (2000: two) non-director, highest paid employees are as follows:

	2001	2000
	HK$	HK$
Salaries and allowances	**5,335,966**	3,735,966
Pension scheme contributions	**26,000**	–
	5,361,966	3,735,966

The number of non-director, highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees	
	2001	2000
HK$1,500,001 – HK$2,000,000	**1**	1
HK$2,000,001 – HK$2,500,000	**–**	1
HK$3,500,001 – HK$4,000,000	**1**	–
	2	2

9. FINANCE COSTS

	Group	
	2001	2000
	HK$	HK$
Interest on bank loans and overdrafts	**27,204,394**	44,285,621
Less: Interest capitalised	**–**	(2,946,677)
	27,204,394	41,338,944

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the places in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2001	2000
	HK$	HK$
Company and subsidiaries:		
Provision for the year:		
Hong Kong	**123,000**	–
Under/(over)provision in prior years:		
Hong Kong	**(1,418,665)**	937,226
Elsewhere	**–**	(5,838,971)
	(1,295,665)	(4,901,745)
Share of tax attributable to an associate:		
Elsewhere	**107,314**	280,896
Tax credit for the year	**(1,188,351)**	(4,620,849)

Tax losses have not been included as deferred tax asset in the balance sheet as it is subject to agreement with the relevant tax authority.

The revaluation of the Group's investment properties does not constitute a timing difference and, consequently, the amount of potential deferred tax thereon has not been quantified.

11. NET LOSS ATTRIBUTABLE TO SHAREHOLDERS

The net loss attributable to shareholders dealt with in the financial statements of the Company is HK$249,468,443 (2000: HK$21,172,028).

12. BASIC LOSS PER SHARE

The calculation of basic loss per share is based on the net loss attributable to shareholders for the year of HK$46,066,371 (2000: HK$151,606,595) and the weighted average of 684,416,993 (2000: 687,224,026) ordinary shares in issue during the year.

The fully diluted loss per share is not shown for both years because the effect of any dilution is anti-dilutive.

13. FIXED ASSETS

Group

	Land and buildings HK$	Investment properties HK$	Equipment HK$	Furniture and fixtures HK$	Motor vehicles HK$	Total HK$
Cost or valuation:						
At beginning of year	45,371,748	1,102,800,000	2,401,331	7,198,710	6,079,659	1,163,851,448
Additions	–	826	207,466	90,849	1,340,000	1,639,141
Disposal	–	–	–	–	(437,239)	(437,239)
Revaluation deficit, net	(6,421,748)	(50,000,826)	–	–	–	(56,422,574)
Exchange realignment	–	–	(29,443)	–	–	(29,443)
At 31 December 2001	38,950,000	1,052,800,000	2,579,354	7,289,559	6,982,420	1,108,601,333
Analysis of cost or valuation:						
At cost	–	–	2,579,354	7,289,559	6,982,420	16,851,333
At 31 December 2001 valuation	38,950,000	1,052,800,000	–	–	–	1,091,750,000
	38,950,000	1,052,800,000	2,579,354	7,289,559	6,982,420	1,108,601,333
Accumulated depreciation:						
At beginning of year	–	–	1,519,388	4,796,919	5,393,183	11,709,490
Provided during the year	575,126	–	308,152	861,321	347,570	2,092,169
Disposal	–	–	–	–	(114,299)	(114,299)
Written back on revaluation	(575,126)	–	–	–	–	(575,126)
Exchange realignment	–	–	(29,443)	–	–	(29,443)
At 31 December 2001	–	–	1,798,097	5,658,240	5,626,454	13,082,791
Net book value:						
At 31 December 2001	38,950,000	1,052,800,000	781,257	1,631,319	1,355,966	1,095,518,542
At 31 December 2000	45,371,748	1,102,800,000	881,943	2,401,791	686,476	1,152,141,958

The Group's land and buildings were revalued individually at 31 December 2001 by FPDSavills (Hong Kong) Limited, an independent professional valuer, at an aggregate open market value of HK$38,950,000. A revaluation deficit of HK$5,846,622 resulting from the above valuation has been debited to the land and buildings revaluation reserve.

Had the Group's land and buildings been carried at carrying amount on the date of transfer or at cost less accumulated depreciation, they would have been included in the financial statements at HK$38,137,501 (2000: HK$38,666,432).

13. FIXED ASSETS (continued)

The Group's land and buildings are held under the following lease terms:

	Hong Kong HK$
At valuation:	
Long term leases	38,200,000
Medium term leases	750,000
	38,950,000

The Group's investment properties were revalued on 31 December 2001 by FPDSavills (Hong Kong) Limited, an independent professional valuer, at HK$1,052,800,000 on an open market value basis. The investment properties are leased to third parties under operating leases, further summary details of which are included in note 31 to these financial statements.

The Group's investment properties are held under the following lease terms:

	Hong Kong HK$	Elsewhere HK$	Total HK$
Long term leases	1,045,000,000	5,000,000	1,050,000,000
Medium term leases	2,800,000	–	2,800,000
	1,047,800,000	5,000,000	1,052,800,000

Certain of the Group's land and buildings and investment properties with a carrying value at the balance sheet date of approximately HK$1,083,200,000 were pledged to secure certain bank loans granted to the Group.

Particulars of the Group's principal investment properties as at 31 December 2001 are as follows:

Location	Use	Tenure
Magazine Gap Towers, 15 Magazine Gap Road, Hong Kong	Residential premises for rental	Long term
Magazine Heights, 17 Magazine Gap Road, Hong Kong	Residential premises for rental	Long term

14. PROPERTY HELD FOR FUTURE DEVELOPMENT

	Group	
	2001	2000
	HK$	HK$
Cost	**215,651,517**	215,651,517
Less: Provision for impairment	**(135,651,517)**	(135,651,517)
At 31 December	**80,000,000**	80,000,000

The property held for future development is situated in the People's Republic of China ("PRC") and is held under a long term lease.

15. INTERESTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$	HK$
Unlisted shares, at cost	**1,418,163,324**	1,418,163,324
Due from a subsidiary	**79,180,429**	77,684,492
	1,497,343,753	1,495,847,816
Less: Provision for impairment	**(269,000,000)**	(20,500,000)
	1,228,343,753	1,475,347,816

The amount due from a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

15. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the Company's principal subsidiaries at the balance sheet date were as follows:

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Allied Crown Limited	Hong Kong	HK$2	–	100%	Property holding
Bossiney Limited	Hong Kong	Ordinary HK$980 Non-voting deferred (1) HK$20	–	100%	Property holding
Cheung Kee Garden Limited*	Hong Kong	Ordinary HK$100 Non-voting deferred (1) HK$450,000	–	100%	Provision of horticultural services
Giant Yield Limited	Hong Kong	Ordinary HK$98 Non-voting deferred (1) HK$2	–	100%	Property holding
Hugoton Limited	Hong Kong	Ordinary HK$980 Non-voting deferred (1) HK$20	–	100%	Property holding
Vision Asset Management Limited	Hong Kong	HK$2	–	100%	Property holding
Winfoong Holding Limited	Hong Kong	HK$105,000,000	–	100%	Investment holding

15. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ paid-up capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Winfoong Investment Limited	Hong Kong	HK$285,931,246	–	100%	Investment holding
Xinhui Tangquan Real Estate Company Limited *	PRC	US$7,365,356 (2)	–	92%	Property development

* *Audited by other auditors.*

The above 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.

(1) These non-voting deferred shares are entitled to a fixed non-cumulative dividend at the rate of 5% per annum for any financial year of the company in respect of which the audited net profit of the company available for dividends exceeds HK$1,000,000,000.

(2) At the balance sheet date, this PRC subsidiary had outstanding capital contributions of US$2.6 million which included the Group's share of US$1.8 million and the PRC joint venture partner's share of US$0.8 million. Notwithstanding the above, this PRC subsidiary has been able to renew its annual business licence every year since its establishment in 1992. The Group is working closely with the PRC joint venture partner with the aim of amending certain terms of the joint venture contract. The directors believe that upon successful amendment of the joint venture contract, the PRC subsidiary will be able to meet its capital contribution requirement.

16. INTEREST IN AN ASSOCIATE

	Group 2001 HK$	2000 HK$
Share of net assets	**431,619,833**	584,455,309
Market value of shares listed in the Republic of Singapore	**84,296,589**	147,239,191

Particulars of the associate, which is held through a wholly-owned subsidiary, are as follows:

Name	Business structure	Place of incorporation and operations	Percentage of ownership interest attributable to the Group 2001	2000	Principal activity
Hong Fok Corporation Limited* ("HFC")	Corporate	Republic of Singapore	**20.2%**	20.2%	Investment holding

* *Audited by other auditors.*

As detailed in note 3 to these financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill/negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain in reserves and be reviewed for impairment on an annual basis. The amount of negative goodwill remaining in reserves, arising from the acquisition of the associate, is HK$141,398,603 (at cost, less impairment of HK$314,082,019 which arose in prior years) as at 1 January and 31 December 2001.

Summary extracts of the consolidated operating results and financial position of the associate, which are based on its financial statements and adjusted for accounting principles generally accepted in Hong Kong, are as follows:

Consolidated operating results for the year ended 31 December:

	2001 HK$	2000 HK$
Turnover	**204,724,211**	240,139,326
Net loss for the year	**35,347,368**	82,175,281

16. INTEREST IN AN ASSOCIATE (continued)

Consolidated financial position at 31 December:

	2001 HK$	2000 HK$
Current assets	**244,842,105**	291,896,629
Long term assets	**4,849,418,948**	5,703,011,236
Total assets	**5,074,261,053**	5,994,907,865
Current liabilities	**(142,080,000)**	(323,721,348)
Long term liabilities	**(2,199,414,737)**	(2,162,575,281)
Total liabilities	**(2,341,494,737)**	(2,486,296,629)
Shareholders' equity	**2,732,766,316**	3,508,611,236

Contingent liabilities:

As at 31 December 2001, HFC had given corporate guarantees to secure loan facilities granted to its subsidiaries amounted to HK$2,246,240,000.

17. OTHER LONG TERM ASSETS

	Group	
	2001 HK$	2000 HK$
Loans receivable	**7,495,218**	8,730,167
Less: Provision for impairment	**(3,650,000)**	–
	3,845,218	8,730,167
Unlisted debentures, at cost	**1,110,000**	1,110,000
	4,955,218	9,840,167
Less: Loans receivable classified as current assets – note 22	**(3,776,400)**	(4,382,517)
	1,178,818	5,457,650

As at 31 December 2001, included in loans receivable is an amount of HK$7,400,000 (2000: HK$8,500,000) which was secured by a second mortgage over an investment property sold by the Group during the year ended 31 December 1998. The loan, repayable by two equal instalments due on or before June 2001 and 2002, was classified as a current asset.

18. INVESTMENTS

	Group	
	2001	2000
	HK$	HK$
Long term investments:		
Unlisted equity investments, at cost	**5,845,125**	5,845,125
Less: Provision for impairment	**(1,045,125)**	(945,125)
	4,800,000	4,900,000
Short term investments:		
Listed equity investments, at market value:		
Hong Kong	**134,520**	250,800

19. PROPERTIES HELD FOR SALE

	Group	
	2001	2000
	HK$	HK$
At beginning of year	**153,268,734**	60,978,252
Transfer from properties under development	**–**	92,290,482
Additions	**2,067,082**	–
Disposals	**(40,679,133)**	–
Less: Provision for impairment	**(8,578,252)**	–
At 31 December	**106,078,431**	153,268,734

19. PROPERTIES HELD FOR SALE (continued)

Particulars of the principal properties held for sale at the balance sheet date are as follows:

Location	Use	Gross floor area sq. ft.	Percentage of interest attributable to the Group
Unsold units of Fortress Heights 38A Fort Street, North Point, Hong Kong	Residential	15,832	100%
Rooms 802-805, 9 Queen's Road Central, Hong Kong	Commercial	7,890	100%

20. CONSTRUCTION CONTRACTS

	Group 2001 HK$	Group 2000 HK$
Cost plus attributable profits less foreseeable losses	**75,800,809**	75,800,809
Progress payments received and receivable	**(74,738,255)**	(74,738,255)
Gross amount due from contract customers	**1,062,554**	1,062,554

21. TRADE RECEIVABLES

The aging analysis of trade receivables is as follows:

	Group			
	2001		2000	
	Balance HK$	**Percentage**	Balance HK$	Percentage
Current	**1,040,653**	**89**	638,813	95
1 – 3 months	**124,771**	**11**	26,381	4
4 – 6 months	**2,136**	**–**	6,550	1
7 – 12 months	**1,193**	**–**	–	–
	1,168,753	**100**	671,744	100

The Group's trade receivables are normally invoiced with credit terms of 30 to 60 days of issuance.

22. OTHER RECEIVABLES

	Group		Company	
	2001	2000	**2001**	2000
	HK$	HK$	**HK$**	HK$
Prepayments	**1,004,976**	839,285	**219,653**	74,680
Loans receivable – note 17	**3,776,400**	4,382,517	**–**	–
Tax reserve certificate	**14,449,128**	–	**–**	–
Deposits and other debtors	**2,698,308**	3,889,380	**–**	–
Retention money receivable	**337,751**	337,751	**–**	–
	22,266,563	9,448,933	**219,653**	74,680

23. CASH AND CASH EQUIVALENTS AND PLEDGED BANK BALANCES AND TIME DEPOSITS

	Group		Company	
	2001	2000	**2001**	2000
	HK$	HK$	**HK$**	HK$
Cash and bank balances	**5,906,746**	2,336,212	**1,964**	44
Time deposits	**1,266,951**	3,018,913	**–**	2,805,440
	7,173,697	5,355,125	**1,964**	2,805,484
Less: Pledged bank balances and time deposits for long term bank loans	**(5,193,533)**	(2,276,481)	**–**	–
Cash and cash equivalents	**1,980,164**	3,078,644	**1,964**	2,805,484

24. TRADE PAYABLES

The ageing analysis of trade payables is as follows:

	Group			
	2001		2000	
	Balance	**Percentage**	Balance	Percentage
	HK$		HK$	
Current	**1,515,209**	**38**	234,462	9
1 – 3 months	**22,721**	**–**	–	–
4 – 6 months	**34,625**	**1**	–	–
7 – 12 months	**89,971**	**2**	–	–
Over 1 year	**2,350,090**	**59**	2,325,540	91
	4,012,616	**100**	2,560,002	100

25. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2001	2000	**2001**	2000
	HK$	HK$	**HK$**	HK$
Accruals	**5,184,645**	7,223,060	**305,705**	276,779
Deposits received	**6,229,203**	6,209,344	**–**	–
Retention money payable	**6,135,080**	8,423,836	**–**	–
Other liabilities	**4,137,848**	3,180,397	**–**	–
	21,686,776	25,036,637	**305,705**	276,779

26. INTEREST-BEARING BANK BORROWINGS

	Group	
	2001	2000
	HK$	HK$
Bank overdrafts, unsecured	**–**	12,614,710
Bank loans, secured	**480,517,534**	466,000,000
Less: Portion classified as current liabilities	**(11,640,000)**	(48,100,000)
Long term portion	**468,877,534**	417,900,000
Bank loans and overdrafts are repayable:		
Within one year	**11,640,000**	60,714,710
In the second year	**84,217,534**	260,640,000
In the third to fifth years, inclusive	**384,660,000**	40,680,000
Beyond five years	**–**	116,580,000
	480,517,534	478,614,710

26. INTEREST-BEARING BANK BORROWINGS (continued)

The Group's bank loans are secured by:

(i) fixed charges over certain of the Group's land and buildings, investment properties, and properties held for sale situated in Hong Kong which have carrying values at the balance sheet date of HK$38,200,000, HK$1,045,000,000 and HK$105,478,431, respectively;

(ii) assignment of insurance, sale and rental proceeds of the land and buildings, investment properties and a property held for sale situated in Hong Kong;

(iii) charges over certain of the Group's bank balances of approximately HK$5,194,000 for the purpose of assignment of sales and rental proceeds and issued shares of certain wholly-owned subsidiaries of the Group;

(iv) subordination and assignment of inter-group and shareholders' loans to certain wholly-owned subsidiaries of the Group in favour of the banks;

(v) obligation of HFC to obtain prior written consent from a bank for the transfer of or change in ownership of the Company;

(vi) floating charges over the assets of Hugoton Limited, Vision Asset Management Limited, wholly-owned subsidiaries of the Group; and

(vii) corporate guarantees given by the Company.

27. SHARE CAPITAL

Shares

	Company	
	2001	2000
	HK$	HK$
Authorised:		
2,000,000,000 ordinary shares of HK$0.05 each	**100,000,000**	100,000,000
Issued and fully paid:		
684,416,993 ordinary shares of HK$0.05 each	**34,220,850**	34,220,850

27. SHARE CAPITAL (continued)

Share options

On 14 October 1996, the Company adopted a share option scheme (the "Scheme") for the purpose of providing an opportunity for key executives of the Group who have contributed significantly to the growth and prosperity of the Group to participate in the equity of the Company. Eligible participants of the Scheme include the directors and employees of the Company or its subsidiaries. The Scheme became effective on 14 October 1996 and, unless otherwise cancelled or amended, will remain in force until 10 July 2004.

The maximum number of shares in respect of which share options may be granted may not exceed 10% of the share capital of the Company in issue from time to time. The maximum number of shares in respect of which share options may be granted to any one participant may not exceed 25% of the maximum aggregate number of shares in respect of which share options may be granted under the Scheme.

The exercise price of a share option is determined at the higher of the nominal value of the Company's share and an amount not less than 80% of the average of the closing price of the Company's shares on The Stock Exchange of Hong Kong Limited on the five trading days immediately preceding the date of grant of the share option.

The offer of a grant of share options may be accepted within 21 days from the date of offer upon payment of a nominal consideration of HK$1 in total by the grantee.

Details of the share options granted pursuant to the Scheme and outstanding as at the balance sheet date are as follows:

Date of offer of grant	Exercise price per share	Exercise period	Number of options at beginning and end of year
3 January 2000	HK$0.268	3 January 2000 to 10 July 2004	60,000,000

The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 60,000,000 additional ordinary shares for gross proceeds of HK$16,080,000.

Subsequent to the balance sheet date, on 25 March 2002, a notice of special general meeting was issued to propose the termination of the Scheme and the adoption of a new share option scheme which will comply with the requirements of the new Chapter 17 of the Listing Rules. The proposals are subject to the shareholders' approval at the special general meeting to be held on 15 April 2002.

28. RESERVES

Group

	Share premium HK$	Contributed surplus HK$	Land and buildings revaluation reserve HK$	Investment property revaluation reserve HK$	Capital reserve HK$	Exchange fluctuation reserve HK$	Accumulated losses HK$	Total HK$
At 1 January 2000								
As previously reported	86,982,670	618,107,853	6,799,505	523,248,877	471,406,109	(131,098,565)	(29,439,259)	1,546,007,190
Prior years adjustment	–	–	–	314,082,019	(326,788,429)	–	12,706,410	–
At 1 January 2000 (As restated)	86,982,670	618,107,853	6,799,505	837,330,896	144,617,680	(131,098,565)	(16,732,849)	1,546,007,190
Premium on repurchases of own shares	(1,848,636)	–	–	–	–	–	–	(1,848,636)
Surplus on revaluation	–	–	574,960	24,411,785	–	–	–	24,986,745
Exchange realignment	–	–	–	–	–	621,381	–	(23,498,928)
Net loss for the year	–	–	–	–	–	–	(151,606,595)	(151,606,595)
Share of movements in reserves of an associate	–	–	–	47,375,627	889,407	(22,795,596)	–	49,589,747
At 31 December 2000 and beginning of year (as restated)	85,134,034	618,107,853	7,374,465	909,118,308	145,507,087	(153,272,780)	(168,339,444)	1,443,629,523
Deficit on revaluation	–	–	(5,846,622)	(50,000,826)	–	–	–	(55,847,448)
Exchange realignment	–	–	–	–	–	(42,881,691)	–	(42,881,691)
Net loss for the year	–	–	–	–	–	–	(46,066,371)	(46,066,371)
Share of movements in reserves of an associate	–	–	–	(106,801,051)	22,040	2,089,079	–	(104,689,932)
At 31 December 2001	85,134,034	618,107,853	1,527,843	752,316,431	145,529,127	(194,065,392)	(214,405,815)	1,194,144,081
Reserves retained by:								
Company and subsidiaries	85,134,034	618,107,853	1,527,843	738,050,082	141,398,603	(182,829,300)	(189,706,111)	1,211,683,004
Associate	–	–	–	14,266,349	4,130,524	(11,236,092)	(24,699,704)	(17,538,923)
At 31 December 2001	85,134,034	618,107,853	1,527,843	752,316,431	145,529,127	(194,065,392)	(214,405,815)	1,194,144,081
Company and subsidiaries	85,134,034	618,107,853	7,374,465	788,050,908	141,398,603	(139,947,609)	(148,131,732)	1,351,986,522
Associate	–	–	–	121,067,400	4,108,484	(13,325,171)	(20,207,712)	91,643,001
At 31 December 2000	85,134,034	618,107,853	7,374,465	909,118,308	145,507,087	(153,272,780)	(168,339,444)	1,443,629,523

28. RESERVES (continued)

The contributed surplus of the Group represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1996.

The prior year adjustment arose as a result of adoption of new SSAP 30 and Interpretation 13. Further details about the capital reserve are included in note 16 to the financial statements.

Company

	Share premium	Contributed surplus	Accumulated losses	Total
	HK$	HK$	HK$	HK$
At 1 January 2000	86,982,670	1,386,580,996	(7,035,744)	1,466,527,922
Premium on repurchase of own shares	(1,848,636)	–	–	(1,848,636)
Net loss for the year	–	–	(21,172,028)	(21,172,028)
At 31 December 2000 and beginning of year	85,134,034	1,386,580,996	(28,207,772)	1,443,507,258
Net loss for the year	–	–	(249,468,443)	(249,468,443)
At 31 December 2001	85,134,034	1,386,580,996	(277,676,215)	1,194,038,815

The contributed surplus of the Company represents the difference between the nominal value of the share capital issued by the Company and the aggregate net asset value of the subsidiaries acquired at the date of acquisition pursuant to the Group reorganisation in 1996. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of contributed surplus in certain circumstances.

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001	2000
	HK$	HK$
Loss from operating activities	**(15,875,795)**	(108,974,864)
Provision for impairment of long term unlisted investments	**100,000**	945,125
Provision for impairment of short term listed investments	**116,280**	1,490,306
Provision for impairment of loan receivable	**3,650,000**	–
Interest income	**(212,968)**	(792,840)
Depreciation	**2,092,169**	2,118,842
Gain on disposal of short term listed investments	**–**	(196,139)
Loss/(gain) on disposal of fixed assets	**84,540**	(421,141)
Decrease in properties under development	**–**	211,762,226
Decrease/(increase) in properties held for sale	**47,190,303**	(2,366,294)
Decrease in inventories	**1,077**	8,653
Decrease/(increase) in trade receivables	**(497,009)**	6,295,501
Decrease/(increase) in prepayments	**(165,691)**	23,439
Increase in deposits and other debtors	**(13,258,056)**	(86,328)
Increase/(decrease) in trade payables	**1,452,614**	(623,251)
Decrease in accruals	**(2,038,415)**	(11,471,400)
Increase/(decrease) in deposits received	**19,859**	(599,563)
Decrease in retention money payable	**(2,288,756)**	(589,417)
Increase in other liabilities	**957,451**	1,014,858
Net cash inflow from operating activities	**21,327,603**	97,537,713

29. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year

	Issued capital, share premium and contributed surplus HK$	Bank loans, secured HK$	Minority interests HK$
Balance at 1 January 2000	739,626,173	515,833,000	(5,144,988)
Cash outflow from financing, net	(2,163,436)	(49,833,000)	–
Foreign exchange realignment	–	–	317,520
Share of profit for the year	–	–	1,803,916
Balance at 31 December 2000 and beginning of year	737,462,737	466,000,000	(3,023,552)
Cash inflow from financing, net	–	14,517,534	4,088,223
Foreign exchange realignment	–	–	367,243
Share of profit for the year	–	–	754,157
Balance at 31 December 2001	737,462,737	480,517,534	2,186,071

30. CONTINGENT LIABILITIES

(a) At the balance sheet date, the Company had given unconditional guarantees to banks to secure loan facilities available to subsidiaries to the extent of approximately HK$649 million (2000: HK$654 million). The extent of such facilities utilised by the subsidiaries at the balance sheet date amounted to approximately HK$481 million (2000: HK$466 million).

(b) At the balance sheet date, the Group had given corporate guarantees to banks for issuing letters of indemnity to a third party in respect of contracts undertaken by certain subsidiaries, and to indemnify the repayment of certain mortgage loans amounting to approximately HK$30.4 million (2000: HK$30 million).

31. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 13 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 2 years. The terms of the leases generally also require the tenants to pay security deposits.

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

	Group	
	2001	2000
	HK$	HK$
Within one year	**16,691,502**	14,606,175
In the second to fifth years, inclusive	**800,965**	242,800
	17,492,467	14,848,975

(b) As lessee

The Group leases certain of its office properties and office equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 1 to 2 years.

At the balance sheet date, the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group	
	2001	2000
	HK$	HK$
Within one year	**87,500**	190,540
In the second to fifth years, inclusive	**–**	111,148
	87,500	301,688

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases as lessee in note (b) above have been restated to accord with the current year's presentation.

32. COMMITMENTS

In addition to the operating lease commitments detailed in note 31(b) above, the Group had the following commitments at the balance sheet date:

	Group	
	2001	2000
	HK$	HK$
Capital commitments:		
Contracted for	**1,949,750**	2,734,947

At the balance sheet date, the Company had no material commitments.

33. RELATED PARTY TRANSACTION

As at 31 December 2000, HFC, a substantial shareholder of the Company, provided corporate guarantee to a bank to secure a bank overdraft facility of a subsidiary totalling HK$12,614,710 at no consideration. The corporate guarantee from HFC was released upon the cancellation of the bank overdraft facility of the subsidiary during the year.

34. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the following significant events occurred:

(a) In December 2001, the Company entered into a subscription agreement to place 63 million new shares, representing approximately 8.4% of the enlarged share capital of the Company, to Praise Time Co., Ltd., an independent third party, at HK$0.175 per share, to raise funds of approximately HK$11 million. The proceeds of the placement are intended to be used as general working capital of the Group. The subscription was completed in January 2002.

(b) The Company proposed to raise approximately HK$145.7 million, before expenses, by issuing 747,416,993 new shares at a price of HK$0.195 per share ("Offer Share") by way of open offer on the basis of one Offer Share for every existing share held ("Open Offer"). The net proceeds from the Open Offer of approximately HK$71.3 million will be used for the acquisition of the entire issued share capital of and a shareholder's loan to Super Homes Limited ("Super Homes"), a wholly-owned subsidiary of HFC, and the remaining balance of approximately HK$70.7 million will be used for the repayment of part of the bank loan of Super Homes.

35. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 27 March 2002.