Notes to Financial Statements

31 December 2001

1. CORPORATE INFORMATION

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

- investment holding
- property investment
- property development

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE

The following new and revised Hong Kong Statements of Standard Accounting Practice ("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 on the Group's accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations, which have had a significant effect on the financial statements, are summarised as follows:

2. IMPACT OF NEW AND REVISED HONG KONG STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)

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. Its principal impact on these financial statements is that the proposed final dividend, which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained profits on a separate line within the capital and reserves section of the balance sheet. The prior year adjustments arising from the adoption of this revised SSAP is detailed in note 11 to the financial statements.

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 this 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 the 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 the financial statements.

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. This SSAP requires the disclosure of goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of SSAP 30 and Interpretation 13 has not resulted in a prior year adjustment, for the reasons detailed in note 27 to the financial statements. The required new additional disclosures are included in note 27 to the financial statements.

Notes to Financial Statements

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with SSAPs, 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 investment properties, as further explained in the accounting policies note 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 the 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.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulates the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which the assets are to be realised upon its dissolution. The profits and losses from the joint venture company's operations and any distributions of surplus assets are shared by the venturers, either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Joint venture companies (Continued)

A joint venture company is treated as:

(a) a subsidiary, if the Group has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds less than 20% of the joint venture company's registered capital and has neither joint control of, nor is in a position to exercise significant influence over, the joint venture company.

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. The Group's interests in jointly-controlled entities 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

Goodwill arising on the acquisition of subsidiaries and jointly-controlled entities 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 consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 15 years. In the case of jointly-controlled entities, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of subsidiaries or jointly-controlled entities, 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 which remains unamortised and any relevant reserves, as appropriate. Any attributable goodwill previously eliminated against consolidated reserves at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated reserves, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for 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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost 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.

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

Land and buildings	Over the lease terms
Leasehold improvements	20%
Office 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. Such properties 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 properties 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)

Properties under development

Properties under development are stated at cost which includes all development expenditure, interest charges and other costs directly attributable to such properties.

Properties under development which have been pre-sold are stated at cost plus attributable profits less any foreseeable losses, and deposits received and instalments received.

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the accounting date, to the estimated total construction costs to completion, limited to the amount of sales deposits and instalments received and with due allowance for contingencies.

Properties under development which have either been pre-sold or which are intended for sale and are expected to be completed within one year from the balance sheet date are classified as current assets.

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.

Completed properties for sale

Completed properties for sale are stated in the balance sheet at the lower of cost and net realisable value. Net realisable value is estimated by the directors based on prevailing market conditions. Cost is determined by an apportionment of the total land and buildings cost attributable to unsold properties.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 overseas subsidiaries and jointly-controlled entities expressed in foreign 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.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, that is, 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. 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.

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 those employees who are eligible to participate in the MPF Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees' basic salaries 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.

Recognition of revenue

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:

(i) income from the sale of completed properties for sale, when all of the conditions of sale have been met and the risks and rewards of ownership have been transferred to the buyer;

(ii) income from the pre-sale of properties under development, on the exchange of legally binding unconditional sales contracts, provided that the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined, and on the basis set out in "Properties under development" above;

(iii) rental income, on a time proportion basis over the lease terms; and

(iv) 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)

Dividends

Final dividend proposed by the directors is classified as a separate allocation of retained profits within the capital and reserves section in the balance sheet, until it has been approved by the shareholders in a general meeting. When this dividend has been approved by the shareholders and declared, it is recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) have given rise to prior year adjustments in both the Company's and the Group's financial statements, further details of which are included in notes 11 and 27 to the financial statements.

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.

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 and bank balances represent assets which are not restricted to use.

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) the property development segment engages in the construction of Haizhu Peninsula Garden in Guangzhou, the Mainland of the People's Republic of China ("Mainland China");

(b) the property investment segment invests in shopping centres located in Guangzhou and Chongqing, Mainland China, for their rental income potential; and

(c) the corporate and other segments mainly engaged in investment holding.

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. No geographical segment information is presented as over 90% of the Group's revenue and results are derived from customers based in Mainland China, and over 90% of the Group's assets are located in Mainland China.

Notes to Financial Statements

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4. SEGMENT INFORMATION (Continued)

The following table presents revenue, profit and expenditure information for the Group's business segments.

	Sale and pre-sale of properties		Property investment		Corporate and others		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Sales to external customers	**210,487**	170,327	**5,277**	7,468	**–**	–	**215,764**	177,795
Unallocated revenue	**–**	–	**–**	–	**15,752**	–	**15,752**	–
Total	**210,487**	170,327	**5,277**	7,468	**15,752**	–	**231,516**	177,795
Segment results	**63,096**	27,698	**1,719**	2,122	**(8,903)**	(7,053)	**55,912**	22,767
Interest income							**56**	1,911
Profit from operating activities							**55,968**	24,678
Finance costs							**(3,251)**	(3,037)
Share of losses of jointly-controlled entities							**(108)**	–
Profit before tax							**52,609**	21,641
Tax							**(18,651)**	(11,513)
Profit before minority interests							**33,958**	10,128
Minority interests							**(1,893)**	–
Net profit from ordinary activities attributable to shareholders							**32,065**	10,128

4. SEGMENT INFORMATION (Continued)

The following table presents assets, liabilities and expenditure information for the Group's business segments.

	Sale and pre-sale of properties		Property investment		Corporate and others		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment assets	**928,863**	891,865	**432,932**	463,641	**–**	–	**1,361,795**	1,355,506
Interests in jointly-controlled entities	**–**	–	**–**	–	**321,362**	–	**321,362**	–
Unallocated assets	**–**	–	**–**	–	**36,197**	38,052	**36,197**	38,052
Total assets	**928,863**	891,865	**432,932**	463,641	**357,559**	38,052	**1,719,354**	1,393,558
Segment liabilities	**302,854**	286,453	**63,433**	73,908	**–**	–	**366,287**	360,361
Unallocated liabilities	**–**	–	**–**	–	**208,333**	201,266	**208,333**	201,266
Total liabilities	**302,854**	286,453	**63,433**	73,908	**208,333**	201,266	**574,620**	561,627
Other segment information:								
Depreciation and amortisation	**608**	1,581	**290**	191	**11,278**	396	**12,176**	2,168
Other non-cash expenses	**49**	–	**4**	21	**43**	28	**96**	49
Capital expenditure	**431**	1,542	**16**	7,695	**209**	141	**656**	9,378
Surplus/(deficit) on revaluation of investment properties recognised directly in equity	**(300)**	(344)	**591**	37,796	**–**	–	**291**	37,452
Revaluation reserve released on disposal of investment properties	**12,114**	–	**–**	–	**–**	–	**12,114**	–

5. TURNOVER

Turnover represents the aggregate of the gross amounts of proceeds from the sale and pre-sale of properties, adjusted to reflect the stage of construction, to the extent that they were not previously recognised, and gross rental income, after elimination of all significant intra-group transactions, less any applicable turnover taxes.

Notes to Financial Statements

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6. PROFIT FROM OPERATING ACTIVITIES

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

	2001	2000
	HK$'000	*HK$'000*
Cost of inventories sold	**127,686**	75,048
Depreciation	**1,306**	2,168
Amortisation of goodwill*	**10,870**	–
Minimum lease payments under operating leases on land and buildings	**2,236**	3,425
Staff costs (including directors' remuneration – note 8):		
Pension contributions	**127**	122
Less: Forfeited contributions	**–**	(40)
Net pension contribution	**127**	82
Wages and salaries	**10,769**	18,700
	10,896	18,782
Auditors' remuneration	**930**	850
Loss on write-off of fixed assets	**–**	49
Loss on disposal of fixed assets*	**96**	–
Provision for an amount due from a jointly-controlled entity*	**–**	5,402
Provision for doubtful debts*	**–**	28,043
Gross rental income from investment properties	**(5,277)**	(7,468)
Less: Outgoings	**–**	–
Net rental income	**(5,277)**	(7,468)
Exchange losses/(gains), net	**276**	(1,863)
Gain on partial disposal of interests in subsidiaries	**(15,752)**	–
Interest income	**(56)**	(1,911)

* *Included in "Other operating expenses" on the face of the consolidated profit and loss account.*

Notes to Financial Statements

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7. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Interest expense on bank loans and overdrafts wholly repayable within five years	**12,765**	13,469
Less: Interest capitalised on properties under development	**(9,514)**	(10,432)
	3,251	3,037

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration disclosed pursuant to the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") and Section 161 of the Hong Kong Companies Ordinance is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Fees:		
Executive directors	**1,080**	1,250
Independent non-executive directors	**490**	490
	1,570	1,740
Other executive directors' emoluments:		
Salaries, allowances and benefits in kind	**3,189**	11,272
Pension contributions	**48**	–
	4,807	13,012

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES (Continued)

The remuneration of the directors fell within the following bands:

	Number of directors	
	2001	2000
Nil – HK$1,000,000	**5**	3
HK$1,000,001 – HK$1,500,000	**–**	1
HK$1,500,001 – HK$2,000,000	**2**	1
HK$3,000,001 – HK$3,500,000	**–**	3

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

During the year, 22,000,000 share options, before adjustment for the subdivision of shares (the "Subdivision") as detailed in note 26 to the financial statements, were granted to the directors in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors. No value in respect of the share options granted during the year has been charged to the profit and loss account.

Five highest paid employees

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

	Group	
	2001	2000
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**2,082**	–
Pension contributions	**24**	–
	2,106	–

8. DIRECTORS' REMUNERATION AND THE FIVE HIGHEST PAID EMPLOYEES (Continued)

The remuneration of the remaining two (2000: Nil) non-director, highest paid employees fell within the following bands:

	Number of employees	
	2001	2000
Nil – HK$1,000,000	**1**	–
HK$1,000,001 – HK$1,500,000	**1**	–

During the year, 2,300,000 share options, before adjustment for the Subdivision, were granted to the remaining two non-director, highest paid employees in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors. No value in respect of the share options granted during the year has been charged to the profit and loss account.

9. TAX

	Group	
	2001	2000
	HK$'000	*HK$'000*
Provision for the year:		
Hong Kong	**–**	–
Elsewhere	**18,651**	11,513
	18,651	11,513

No provision for Hong Kong profits tax has been made as the Group did not generate any taxable profits in Hong Kong during the year (2000: Nil).

Mainland China tax has been calculated on the taxable income of the subsidiaries operating in Mainland China at the applicable rates.

No provision for deferred tax has been made in respect of accelerated capital allowances as the directors consider that a liability is not expected to crystallise in the foreseeable future.

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.

10. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company was HK$2,266,000 (2000: HK$26,534,000).

11. DIVIDENDS

	2001	2000
	HK$'000	*HK$'000*
Interim – HK0.2 cent (2000: HK0.16 cent) per share, adjusted for the Subdivision	**5,960**	4,768
Proposed final – NIL (2000: HK0.24 cent) per share, adjusted for the Subdivision	**–**	7,152
	5,960	11,920

The distributions of dividends for the current and prior years were made out of the Company's contributed surplus.

During the year, the Group adopted SSAP 9 (Revised) "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 December 2000 of HK$7,152,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Company's and the Group's current liabilities and increase the reserves previously reported as at 31 December 2000 by HK$7,152,000.

12. EARNINGS PER SHARE

The calculations of basic and diluted earnings per share are based on the following data:

	2001	2000
Earnings:		
Net profit attributable to shareholders, used in the basic and diluted earnings per share calculations	**HK$32,065,000**	HK$10,128,000
Shares:		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	**2,980,016,725**	2,980,016,725
Weighted average number of shares assumed issued at no consideration on deemed exercise of all share options outstanding during the year	**38,112,465**	–
Weighted average number of ordinary shares in issue during the year used in diluted earnings per share calculation	**3,018,129,190**	2,980,016,725

The weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculations for both 2001 and 2000 have been adjusted to reflect the Subdivision.

A diluted earnings per share amount for the year ended 31 December 2000 has not been presented as no diluting events existed during that year.

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13. FIXED ASSETS

Group

	Land and buildings HK$'000	Leasehold improve-ments HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor vehicles HK$'000	Total HK$'000
At cost:						
At 1 January 2001	7,649	5,853	2,821	1,000	2,814	20,137
Additions	–	139	369	38	110	656
Disposals	–	–	(229)	(16)	–	(245)
Exchange realignment	(5)	(3)	(2)	–	(1)	(11)
At 31 December 2001	7,644	5,989	2,959	1,022	2,923	20,537
Accumulated depreciation:						
At 1 January 2001	86	4,326	1,699	638	2,191	8,940
Provided during the year	212	329	346	147	272	1,306
Disposals	–	–	(133)	(11)	–	(144)
Exchange realignment	–	(2)	(1)	–	(1)	(4)
At 31 December 2001	298	4,653	1,911	774	2,462	10,098
Net book value:						
At 31 December 2001	**7,346**	**1,336**	**1,048**	**248**	**461**	**10,439**
At 31 December 2000	7,563	1,527	1,122	362	623	11,197

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13. FIXED ASSETS (Continued)

Company

	Leasehold improvements *HK$'000*	Office equipment *HK$'000*	Furniture and fixtures *HK$'000*	Total *HK$'000*
At cost:				
At 1 January 2001	536	390	572	1,498
Additions	37	153	20	210
Disposals	–	(120)	(16)	(136)
At 31 December 2001	573	423	576	1,572
Accumulated depreciation:				
At 1 January 2001	144	171	329	644
Provided during the year	108	82	114	304
Disposals	–	(76)	(11)	(87)
At 31 December 2001	252	177	432	861
Net book value:				
At 31 December 2001	**321**	**246**	**144**	**711**
At 31 December 2000	392	219	243	854

The Group's land and buildings included above are held under medium term leases in Mainland China.

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14. INVESTMENT PROPERTIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
At 1 January	**445,600**	254,400
Reclassified from properties under development	**–**	153,748
Revaluation surplus – note 27	**291**	37,452
Disposals	**(37,691)**	–
At 31 December, at valuation	**408,200**	445,600

The investment properties are held under medium term leases in Mainland China.

The investment properties were revalued by Chesterton Petty Limited, an independent firm of professionally qualified valuers, on an open market value, existing use basis as at 31 December 2001.

At the balance sheet date, certain of the Group's investment properties were pledged to secure general banking facilities granted to the Group as set out in note 25 to the financial statements.

15. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001	2000
	HK$'000	*HK$'000*
Cost as at 31 December	**511,709**	368,631
Add: Attributable profits on pre-sale of properties	**167,881**	79,914
Less: Progress instalments received	**(252,781)**	(128,992)
	426,809	319,553
Portion classified as current assets	**(366,221)**	(258,965)
Non-current assets	**60,588**	60,588

The properties under development are held under long term leases in Mainland China.

Certain properties under development were pledged to certain of the Group's bankers to secure banking facilities granted to the Group as set out in note 25 to the financial statements.

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16. INVESTMENTS IN SUBSIDIARIES

	Company 2001 HK$'000	2000 HK$'000
Unlisted shares, at cost	**467,158**	467,158
Provision for impairment	**(47,800)**	(47,800)
	419,358	419,358
Due from subsidiaries	**294,250**	267,096
Provision against an amount due from a subsidiary	**–**	(25,009)
	294,250	242,087
Total	**713,608**	661,445

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

Particulars of the principal subsidiaries are as follows:

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/ issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Ample Dragon Limited *#	British Virgin Islands/ Hong Kong	US$300 Ordinary	**51**	–	Investment holding
China Land Realty Investment (BVI) Limited	British Virgin Islands/ Hong Kong	US$11,204 Ordinary	**100**	100	Investment holding
Chongqing Smart Hero Real Estate Development Company Limited	Mainland China	US$2,000,000	**100**	100	Property development, holding and management

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Place of incorporation/ registration and operations	Nominal value of paid-up registered/ issued share capital	Percentage of equity attributable to the Company 2001	2000	Principal activities
Dongxum Real Estate Development Company Limited #	Hong Kong	HK$2 Ordinary, HK$300 Non-voting deferred (Note a)	**51**	100	Investment holding
Ever Brian Inc.	British Virgin Islands/ Mainland China	US$1 Ordinary	**100**	100	Provision of agency services
Guangzhou Dongxun Real Estate Development Company Limited #	Mainland China	HK$184,130,000		(Note b)	Property development, holding and management
I-Action Agents Limited ##	British Virgin Islands/ Hong Kong	US$1 Ordinary	**100**	–	Investment holding
Smart Hero (Holdings) Limited	Hong Kong	HK$2 Ordinary, HK$300 Non-voting deferred (Note a)	**100**	100	Investment holding

* *Subsidiary incorporated during the year.*

\# *49% equity interest in these subsidiaries was disposed of during the year, as detailed in note 28(d).*

\## *Subsidiary acquired during the year, as detailed in note 28(d).*

16. INVESTMENTS IN SUBSIDIARIES (Continued)

Notes:

a. The non-voting deferred shares carry no rights to dividends, to receive notice of or to attend or vote at any general meeting of the company, or to participate in any distribution on winding-up.

b. Guangzhou Dongxun Real Estate Development Company Limited ("Guangzhou Dongxun") is a co-operative joint venture established in Mainland China. In accordance with the terms of the joint venture agreement, the Group is responsible for contributing the entire registered capital of Guangzhou Dongxun, is entitled to the entire profits of Guangzhou Dongxun and is responsible for all of its losses.

Except for China Land Realty Investment (BVI) Limited, all of the above subsidiaries are indirectly held by the Company.

The above table lists the subsidiaries of the Company as at 31 December 2001 which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the assets and liabilities of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Share of net assets	**160**	–
Goodwill on acquisition	**309,380**	–
Due from jointly-controlled entities	**11,822**	10,858
Less: Provision	**–**	(10,858)
	321,362	–

The amounts due from jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment.

17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

The amount of the goodwill capitalised as an asset arising from the acquisition of jointly-controlled entities during the year, is as follows:

Group

	HK$'000
Cost:	
At 1 January 2001	–
Acquisition of jointly-controlled entities	320,250
At 31 December 2001	320,250
Accumulated amortisation:	
At 1 January 2001	–
Provided during the year	10,870
At 31 December 2001	10,870
Net book value:	
At 31 December 2001	**309,380**
At 31 December 2000	–

Particulars of the jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
I-Mall Investments Limited	Corporate	British Virgin Islands	68.6	33.3	68.6	Investment holding
B2B Market Investments Limited	Corporate	British Virgin Islands	35.0	33.3	35.0	Investment holding
Cyber Union Enterprise Limited	Corporate	Hong Kong	35.0	50.0	35.0	Investment holding
世聯匯通信息科技有限公司	Corporate	Mainland China	35.0	33.3	35.0	Provision of technology consultancy services

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17. INTERESTS IN JOINTLY-CONTROLLED ENTITIES (Continued)

All of the above investments in jointly-controlled entities are indirectly held by the Company.

The above jointly-controlled entities were acquired during the year and were held through I-Action Agents Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company. The acquisition of the above jointly-controlled entities constituted a disclosable transaction. The details of the aforementioned acquisition were set out in a circular of the Company dated 31 May 2001. At 31 December 2001, the aggregate amounts of the assets and liabilities of these jointly-controlled entities were as follows:

	Group
	2001
	HK$'000
Non-current assets	**12,694**
Current liabilities	**(12,461)**

18. COMPLETED PROPERTIES FOR SALE

	Group	
	2001	2000
	HK$'000	*HK$'000*
At 31 December	**103,940**	103,940

The Group's completed properties for sale are all held under long term leases in Mainland China.

At the balance sheet date, certain of the Group's completed properties for sale were pledged to secure general banking facilities granted to the Group as set out in note 25 to the financial statements.

19. TRADE RECEIVABLES

An aged analysis of the trade receivables at the balance sheet date is as follows:

	Group			
	2001		2000	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 6 months	**11,002**	**8**	23,432	13
More than 6 months but within 1 year	**-**	**-**	8,709	5
More than 1 year but within 2 years	**15,170**	**12**	29,183	16
More than 2 years but within 3 years	**22,707**	**17**	20,138	10
Over 3 years	**42,607**	**32**	29,317	16
Not due as at 31 December	**40,033**	**31**	74,227	40
	131,519	**100**	185,006	100
Provisions for doubtful debts	**(14,736)**		(14,736)	
	116,783		170,270	
Portion classified as current assets	**(63,785)**		(134,769)	
Non-current assets	**52,998**		35,501	

The Group generally grants a credit term of four to six months to its customers.

The Group's trade receivables are aged based on the due date of instalments as stipulated in the sales contracts.

The Building Ownership Certificates of the properties sold are held by the Group until the contracted amounts and related expenses of the property have been fully settled.

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20. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Non-current assets:				
Prepayments	**21,608**	84,722	**–**	–
Deposits *(note)*	**87,425**	45,769	**–**	9,000
Other receivable	**7,000**	–	**7,000**	–
Due from a Mainland China joint venture partner	**–**	28,284	**–**	–
	116,033	158,775	**7,000**	9,000
Current assets:				
Prepayments	**117,073**	133,039	**114**	20
Deposits and other receivables	**39,470**	42,693	**869**	836
Dividend receivable	**–**	–	**–**	65,000
	156,543	175,732	**983**	65,856

Note:

These represent deposits for potential investment ventures. Deposit of HK$87,425,000 at 31 December 2001 represented payment to a PRC enterprise to secure the right to participate in an agricultural project in Mongolia, Mainland China. The agricultural project is for the manufacture and sales of feed products. The directors consider that the agricultural project can enhance, diversify and strengthen the earning base of the Group in the medium to long term. The directors have undertaken to indemnify the Group against loss that may arise from making such deposit. Further details of the undertaking is set out in note 32, Connected and Related Party Transactions, to the financial statements.

21. PLEDGED DEPOSITS

At 31 December 2001, bank deposits of approximately HK$4,071,000 (2000: Nil) were pledged to a bank to secure mortgage loans granted by the bank to certain purchasers of the Group's properties.

22. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Cash and bank balances	**55,174**	5,662	**341**	438
Fixed term deposits with maturity over three months	**–**	2,829	**–**	–
	55,174	8,491	**341**	438

23. TRADE PAYABLES

An aged analysis of the trade payables at the balance sheet date is as follows:

	Group			
	2001		2000	
	HK$'000	***Percentage***	*HK$'000*	*Percentage*
Within 6 months	**23,565**	**18**	7,893	8
More than 6 months but within 1 year	**34,219**	**26**	2,095	2
More than 1 year but within 2 years	**2,197**	**2**	23,258	22
More than 2 years but within 3 years	**21,762**	**16**	16,204	16
Over 3 years	**51,380**	**38**	55,434	52
	133,123	**100**	104,884	100

The Group's trade payables are aged based on the date of the goods or services received.

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24. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Accruals	**23,059**	23,353	**10,862**	11,684
Other liabilities	**65,815**	105,290	**–**	–
Due to a Mainland China joint venture partner (note)	**4,589**	4,591	**–**	–
	93,463	133,234	**10,862**	11,684

Note: The amount due is unsecured, interest-free and has no fixed terms of repayment.

25. INTEREST-BEARING BANK LOANS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Bank loans repayable:		
Within one year or on demand	**147,410**	151,508
In the second year	**41,654**	35,826
In the third to fifth years, inclusive	**4,387**	–
	193,451	187,334
Current portion	**(147,410)**	(151,508)
Non-current portion	**46,041**	35,826

The Group had bank loan facilities amounting to HK$198,915,000 (2000: HK$197,639,000), of which approximately HK$193,451,000 (2000: HK$187,334,000) had been utilised at the balance sheet date. The bank loans were supported by certain of the Group's investment properties, properties under development and completed properties for sale, and a corporate guarantee executed by the Company.

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26. SHARE CAPITAL

Shares

	2001	2000
	HK$'000	*HK$'000*
Authorised:		
6,000,000,000 ordinary shares of HK$0.02 each		
(2000: 1,200,000,000 ordinary shares of HK$0.10 each)	**120,000**	120,000
Issued and fully paid:		
2,980,016,725 ordinary shares of HK$0.02 each		
(2000: 596,003,345 ordinary shares of HK$0.10 each)	**59,600**	59,600

Pursuant to an ordinary resolution passed at a special general meeting on 8 August 2001, the authorised and issued share capital of the Company was split such that each ordinary share of HK$0.10 each was subdivided into 5 new shares of HK$0.02 each. This resulted in change in the Company's authorised shares from 1,200,000,000 shares of HK$0.10 each to 6,000,000,000 shares of HK$0.02 each, while the Company's issued shares changed from 596,003,345 shares of HK$0.10 each to 2,980,016,725 shares of HK$0.02 each. All of the Company's shares, after adjustment for the Subdivision, rank pari passu with each other in all respects.

26. SHARE CAPITAL (Continued)

Shares (Continued)

A summary of the above movement in the Company's ordinary share capital is as follows:

	Number of shares in issue	Share capital *HK$'000*
At 1 January 2001	596,003,345	59,600
Subdivision of 1 ordinary share of HK$0.10 each into 5 ordinary shares of HK$0.02 each	2,384,013,380	–
	2,980,016,725	59,600

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

At the beginning of the year, no share options were outstanding under the Scheme.

During the year, the Company granted a total of 25,900,000 share options, before adjustment for the Subdivision, under the Scheme for a nominal consideration of HK$1 in total per grant. The share options granted entitle the holders to subscribe for shares of the Company at any time during period from 1 December 2001 to 1 December 2004. The subscription price per share payable upon the exercise of these options, before adjustment for the Subdivision, was HK$0.6976, subject to adjustment.

No share options were exercised during the year.

At the balance sheet date, the Company had 129,500,000 share options outstanding, after adjustment for the Subdivision, under the Scheme with an exercise period from 1 December 2001 to 1 December 2004 and an exercise price of HK$0.1395. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 129,500,000 additional shares of HK$0.02 each with gross proceeds of approximately HK$18,065,000.

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27. RESERVES

Group

	Share premium account HK$'000	Contributed surplus HK$'000	Investment properties revaluation reserve HK$'000	Exchange fluctuation reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1 January 2000	220,002	98,138	180,260	8,103	256,527	763,030
Goodwill on acquisition of a subsidiary	–	–	–	–	(35,000)	(35,000)
Exchange adjustments on translation of the financial statements of overseas subsidiaries	–	–	–	1,489	–	1,489
Surplus on revaluation of investment properties – note 14	–	–	37,452	–	–	37,452
Net profit for the year	–	–	–	–	10,128	10,128
Interim 2000 dividend	–	(4,768)	–	–	–	(4,768)
Proposed final 2000 dividend	–	(7,152)	–	–	–	(7,152)
At 31 December 2000 and 1 January 2001	220,002	86,218	217,712	9,592	231,655	765,179
Exchange adjustments on translation of the financial statements of overseas subsidiaries	–	–	–	(218)	–	(218)
Revaluation reserve released on disposals	–	–	(12,114)	–	–	(12,114)
Surplus on revaluation of investment properties – note 14	–	–	291	–	–	291
Net profit for the year	–	–	–	–	32,065	32,065
Interim 2001 dividend	–	(5,960)	–	–	–	(5,960)
At 31 December 2001	**220,002**	**80,258**	**205,889**	**9,374**	**263,720**	**779,243**
Reserves retained by/ (losses accumulated in):						
Company and subsidiaries	220,002	80,258	205,889	9,374	263,828	779,351
Jointly-controlled entities	–	–	–	–	(108)	(108)
At 31 December 2001	**220,002**	**80,258**	**205,889**	**9,374**	**263,720**	**779,243**
Company and subsidiaries	220,002	86,218	217,712	9,592	231,655	765,179
Jointly-controlled entities	–	–	–	–	–	–
At 31 December 2000	220,002	86,218	217,712	9,592	231,655	765,179

27. RESERVES (Continued)

Notes:

(a) As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill in respect of acquisitions which occurred prior to 1 January 2001 to remain eliminated against consolidated reserves.

The amount of goodwill remaining in consolidated reserves, arising from the acquisition of a subsidiary prior to 1 January 2001, is HK$35,000,000 as at 1 January and 31 December 2001. This amount of goodwill is stated at cost which arose in the prior year.

(b) The contributed surplus of the Group represents the difference between the nominal value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor.

Company

	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*
At 1 January 2000	220,002	565,206	(88,809)	696,399
Net loss for the year	–	–	(26,534)	(26,534)
Interim 2000 dividend	–	(4,768)	–	(4,768)
Proposed final 2000 dividend	–	(7,152)	–	(7,152)
At 31 December 2000 and 1 January 2001	220,002	553,286	(115,343)	657,945
Net loss for the year	–	–	(2,266)	(2,266)
Interim 2001 dividend	–	(5,960)	–	(5,960)
At 31 December 2001	**220,002**	**547,326**	**(117,609)**	**649,719**

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the Group reorganisation in 1997, over the nominal value of the Company's shares issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its members out of the contributed surplus under certain circumstances.

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28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	Group	
	2001	2000
	HK$'000	*HK$'000*
Profit from operating activities	**55,968**	24,678
Depreciation	**1,306**	2,168
Amortisation of goodwill	**10,870**	–
Provision for an amount due from a jointly-controlled entity	**–**	5,402
Interest income	**(56)**	(1,911)
Proceeds from pre-sale of properties	**123,789**	46,339
Attributable profits on pre-sale properties	**(87,967)**	(49,497)
Development costs on properties under development	**(133,564)**	(22,615)
Profit from sale of properties	**(11,992)**	(45,782)
Loss on write-off of fixed assets	**–**	49
Loss on disposal of fixed assets	**96**	–
Gain on partial disposal of interests in subsidiaries	**(15,752)**	–
Decrease in an amount due from a jointly-controlled entity	**–**	54
Decrease/(increase) in trade receivables	**53,487**	(29,735)
Decrease in prepayments, deposits and other receivables	**33,647**	48,732
Decrease/(increase) in an amount due from a Mainland China joint venture partner	**28,284**	(108)
Increase/(decrease) in trade payables, other payables and accruals	**(11,530)**	10,416
Increase/(decrease) in an amount due to a Mainland China joint venture partner	**(2)**	17
Exchange adjustments on translation of the financial statements of overseas subsidiaries	**(209)**	1,428
Net cash inflow/(outflow) from operating activities	**46,375**	(10,365)

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28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(b) Analysis of changes in financing during the years

	Bank loans HK$'000	Minority interests HK$'000
At 1 January 2000	119,466	–
Cash inflow from financing, net	67,868	–
At 31 December 2000 and 1 January 2001	187,334	–
Cash inflow from financing, net	6,117	–
Share of profit after tax of subsidiaries	–	1,893
On partial disposal of interests in subsidiaries	–	303,998
At 31 December 2001	**193,451**	**305,891**

(c) Acquisition of a subsidiary

	2001 **HK$'000**	2000 HK$'000
Net assets acquired	**–**	–
Goodwill on acquisition	**–**	35,000
Satisfied by:		
Cash	**–**	35,000

An analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary is as follows:

	2001 **HK$'000**	2000 HK$'000
Cash consideration and net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	**–**	35,000

The subsidiary acquired during the year ended 31 December 2000 had no significant impact on the cash flow, turnover and net profit attributable to shareholders of the Group for the year then ended.

28. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Continued)

(d) Major non-cash transaction

During the year, the Group acquired from Empower Assets Limited ("Empower") its 100% equity interest in I-Action Agents Limited ("I-Action") and its investee companies for an aggregate consideration of HK$320,000,000. The consideration was satisfied by the transfer of 147 ordinary shares of US$1 each of Ample Dragon Limited ("Ample Dragon"), which was formerly a wholly owned subsidiary of the Company, representing 49% of the Group's equity interest in Ample Dragon to Empower. The major assets of I-Action are its interests in the jointly-controlled entities as set out in note 17 to the financial statements. The directors considered that the goodwill arising from such acquisition is attributable to I-Action's interests in the jointly-controlled entities. Accordingly, the goodwill is included in interests in jointly-controlled entities as set out in note 17 to the financial statements.

29. CONTINGENT LIABILITIES

At the balance sheet date, contingent liabilities not provided for in the financial statements were as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Guarantees given for mortgage loans granted by banks to certain purchasers of the Group's properties	**353,791**	242,383	**–**	–
Guarantees given to a bank in respect of facilities granted to a subsidiary	**–**	–	**11,700**	–
	353,791	242,383	**11,700**	–

30. PLEDGE OF ASSETS

Details of the Group's bank loans secured by assets of the Group are included in note 25 to the financial statements.

31. COMMITMENTS

(a) Capital commitments

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Capital commitments in respect of property development projects:				
Contracted, but not provided for	**67,894**	197,350	**–**	–
Capital commitments in respect of capital contributions to a jointly-controlled entity:				
Contracted, but not provided for	**–**	132,090	**–**	–
	67,894	329,440	**–**	–

(b) Commitments under operating leases

(i) As lessor

The Group leases certain of its investment properties under operating lease arrangements with leases negotiated for terms ranging from one to eight years.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Within one year	**5,852**	5,470
In the second to fifth years, inclusive	**6,847**	6,554
After five years	**2,867**	–
	15,566	12,024

31. COMMITMENTS (continued)

(b) Commitments under operating leases (continued)

(ii) As lessee

At 31 December 2001, the Company and the Group had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Within one year	4,083	5,682	1,655	2,491
In the second to fifth years, inclusive	1,112	4,185	963	2,618
	5,195	9,867	2,618	5,109

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 (i) 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 (ii) above have been restated to accord with the current year's presentation.

32. CONNECTED AND RELATED PARTY TRANSACTIONS

During the year, the Group had the following transactions with certain companies in which the directors have beneficial interests:

(a) On 30 May 2000, Gold Coast Department Store Company Limited ("Gold Coast") and Powerex Investment Limited ("Powerex") entered into a tenancy agreement (the "Agreement") relating to the lease of a portion of the commercial podium of Phase I of Haizhu Peninsula Garden, Guangzhou, Mainland China (the "Premises") with a total gross floor area of approximately 4,000 square metres at a monthly base rental of approximately HK$249,000 (approximately RMB265,000) and a maximum monthly turnover-based rental of approximately HK$421,000 (approximately RMB450,000).

Gold Coast is beneficially owned by Ho Tsam Hung, Ho Pak Hung and Lam Ling Tak who are directors of the Company.

The Agreement commenced on 1 June 2000 for a term for one year. The aggregate rental for the period from 1 January 2001 to 31 May 2001 totalled HK$1,245,000 (approximately RMB1,325,000) and has been fully settled in accordance with the terms of the Agreement.

(b) Pursuant to the lease entered into between the Company and Smart Hero Investment Limited ("Smart Hero") dated 1 September 1999, the Company agreed to lease a director's residential unit in Hong Kong from Smart Hero as a director's residence at an aggregate monthly rental of HK$90,000. The lease was entered into for a term of two years commencing from 1 September 1999, however the lease was terminated in March 2001. Smart Hero is beneficially owned by Ho Tsam Hung, Ho Pak Hung, Ho Kam Hung and Lam Ling Tak who are directors of the Company.

The provision of the director's residence by the Company for the director formed part of his respective remuneration package under his service contract.

In addition to the above transactions, on 24 April 2002, Ho Tsam Hung, a director of the Company, entered into an agreement with the Company to indemnify the Company from any losses arising from certain other receivables and investment deposit totalling approximately HK$116,956,000. The full amount of the said other receivables and investment deposit has been included in the consolidated balance sheet as at 31 December 2001. The indemnity covers the period from 24 April 2002 to 31 December 2002.

33. 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, prior year adjustments have been made and certain comparative amounts have been reclassified and revised to conform with the current year's presentation.

34. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 25 April 2002.