

## 1. CORPORATE INFORMATION

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

- property development
- property investment
- provision of service apartment and property management services
- project management
- pub operations

In the opinion of the directors, the ultimate holding company is Power Resources Holdings Limited, which is incorporated in the British Virgin Islands.

## 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 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:

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 earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this new SSAP is detailed in note 12 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 the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, 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.

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

*(continued)*

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 adoption of the SSAP has resulted in a prior year adjustment, further details of which are included in notes 11 and 27 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. The SSAP requires the disclosure of goodwill and negative 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. Negative goodwill is recognised in the consolidated 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 the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains credited to consolidated reserves. The adoption of the SSAP and Interpretation has resulted in a prior year adjustment, further details of which are included in notes 17, 18 and 27 to the 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 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.

**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 investment properties and 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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**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 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.

A joint venture company is treated as:

- (a) a subsidiary, if the Company has unilateral control over the joint venture company;
- (b) a jointly-controlled entity, if the Company does not have unilateral control, but has joint control over the joint venture company;
- (c) an associate, if the Company 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 Company 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.

**Associates**

An associate is a company, not being a subsidiary, 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 interests in associates.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**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 consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 5 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.

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 which remains unamortised and any relevant reserves, as appropriate.

The carrying amount of goodwill 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.

**Negative goodwill**

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 consolidated 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 consolidated 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 consolidated 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, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. On the adoption of SSAP 30, the negative goodwill previously credited to the capital reserve for all acquisitions has been retrospectively restated as if the new accounting policy above had always been applied. This restatement has given rise to a prior year adjustment, details of which are included in notes 18 and 27 to the financial statements. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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 negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant reserves as appropriate.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)***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.

**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 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:

Leasehold land	Over the terms of the leases
Buildings	2%
Leasehold improvements	Shorter of lease terms and 20% to 30%
Furniture, fixtures and office equipment	20%
Motor vehicles	30%

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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**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 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.

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

**Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Cost includes the cost of land, capitalised interest during the period of development and other direct costs attributable to such properties. Net realisable value is calculated as the estimated selling price less all costs to completion, if applicable, and costs of marketing and selling.

**Leased assets**

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

**Short term investments**

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

**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 and time deposits represent assets which are not restricted as to use.

**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.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**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) from the sale of properties and interests in investment properties, on completion of a binding sales contract, 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 properties and interests in investment properties sold;
- (b) rental income from property letting, in the period in which the properties are let and on a straight-line basis over the lease terms;
- (c) income from the provision of service apartments and property management services, and project management, in the period in which such services are rendered;
- (d) receipts from pub operations, upon the delivery of food and beverages to customers;
- (e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable;
- (f) dividend income, when the shareholders' right to receive payment has been established; and
- (g) from the sale of listed securities, on the trade date.

**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.

**Dividends**

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's bye-laws 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 Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), have given rise to prior year adjustments in both the Group's and the Company's financial statements, further details of which are included in notes 11, 12 and 27 to the financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### 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 associates are translated to 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.

#### Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirements benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all of its Hong Kong employees. 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.

As stipulated by the regulations of the PRC government, each of the Group's subsidiaries in the PRC participates in the central pension scheme operated by the local municipal government for all of their staff. These PRC subsidiaries are required to contribute a certain percentage of their covered payroll to the scheme to fund the benefits. The only obligation of the Group with respect to the scheme is to pay the ongoing required contributions under the scheme. Contributions under the scheme are charged to the profit and loss account as they become payable in accordance with the rules of the 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 geographical segment; and (ii) on a secondary segment reporting basis, by business segment.

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

- (a) Hong Kong; and
- (b) elsewhere in the People's Republic of China ("PRC")

In determining the Group's business segments, revenues and results are attributed to the segments based on the nature of their operations and the services they provide.



4. SEGMENT INFORMATION (continued)

(a) Geographical segments

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

Group	Hong Kong		Elsewhere in the PRC		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue:						
Sales to external customers	44,435	45,893	66,456	67,532	110,891	113,425
Other revenue	6,452	5,924	3,711	3,026	10,163	8,950
	<u>50,887</u>	<u>51,817</u>	<u>70,167</u>	<u>70,558</u>	<u>121,054</u>	<u>122,375</u>
Total	<b>50,887</b>	51,817	<b>70,167</b>	70,558	<b>121,054</b>	122,375
Segment results	<u>24,282</u>	<u>25,671</u>	<u>49,449</u>	<u>52,652</u>	<b>73,731</b>	78,323
Interest and dividend income and unallocated gains					5,530	5,485
Unallocated expenses					(77)	(1,112)
Profit from operating activities					<b>79,184</b>	82,696
Finance costs					(44,910)	(66,148)
Share of profits/(losses) of associates					<b>4,703</b>	(22,226)
Profit/(loss) before tax					<b>38,977</b>	(5,678)
Tax					(4,940)	(7,771)
Profit/(loss) before minority interests					<b>34,037</b>	(13,449)
Minority interests					(13,618)	(10,619)
Net profit/(loss) from ordinary activities attributable to shareholders					<b>20,419</b>	(24,068)

4. SEGMENT INFORMATION (continued)

(a) Geographical segments (continued)

Group	Hong Kong		Elsewhere in the PRC		Consolidated	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment assets	707,174	771,738	1,018,193	1,058,276	1,725,367	1,830,014
Interests in associates	27,452	22,828	191,285	161,690	218,737	184,518
Unallocated assets					236	282
Total assets					1,944,340	2,014,814
Segment liabilities	19,595	21,674	28,719	33,949	48,314	55,623
Unallocated liabilities					924,377	919,270
Total liabilities					972,691	974,893
Other segment information:						
Depreciation and amortisation	1,603	1,312	2,883	3,114	4,486	4,426
Deficit on revaluation of investment properties	46,300	57,641	25,900	53,837	72,200	111,478
Provisions for bad and doubtful debts	377	3,046	325	—	702	3,046
Capital expenditure	763	1,343	666	747	1,429	2,090

(b) Business segments

Over 85% of the Group's revenue, results, assets, liabilities and capital expenditure are derived from the business segment of rental income from property letting.

**5. TURNOVER, REVENUE AND GAINS**

Turnover represents the total amounts received and receivable on the sales of interests in investment properties, the provision of service apartment and property management services, receipts from pub operations and rental income, net of PRC business taxes, from property letting, after elimination of all significant intra-group transactions.

An analysis of turnover, other revenue and gains is as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000 (Restated)
<b>Turnover</b>		
Sales of interests in investment properties	—	3,500
Rental income from property letting	<b>100,811</b>	99,123
Service apartment and property management	<b>5,204</b>	4,674
Pub operations	<b>4,876</b>	6,128
	<b>110,891</b>	113,425
<b>Other revenue and gains</b>		
Interest income	<b>5,231</b>	5,350
Dividend income from short term listed investments	—	135
Gain on disposal of short term listed investments	<b>299</b>	—
Gain on disposal of fixed assets	<b>40</b>	39
Negative goodwill recognised as income	<b>5,715</b>	4,752
Other	<b>4,408</b>	4,159
	<b>15,693</b>	14,435

## 6. PROFIT FROM OPERATING ACTIVITIES

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

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Depreciation	4,217	4,426
Amortisation of goodwill*	269	—
Auditors' remuneration	538	637
Provision for bad and doubtful debts	702	3,046
Write back of provision for bad and doubtful debts	(375)	—
Loss on disposal of interests in investment properties	—	1,225
Unrealised holding losses on short term listed investments	—	296
Loss on deemed disposal of interest in an associate	4,333	—
Staff costs (including directors' remuneration (note 8)):		
Wages and salaries	8,621	9,121
Pension contributions**	282	55
	<b>8,903</b>	<b>9,176</b>
Gross rental income	<b>(100,811)</b>	(99,123)
Less: Outgoings	<b>4,991</b>	3,677
Net rental income	<b>(95,820)</b>	(95,446)
Exchange losses, net	<b>77</b>	816

\* The amortisation of goodwill for the year is included in "Other operating expenses" on the face of the profit and loss account.

\*\* At 31 December 2001, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2000: Nil).

## 7. FINANCE COSTS

	<b>Group</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Interest on bank loans wholly repayable within five years	24,310	28,254
Interest on bank loans wholly repayable after five years	20,600	37,894
	<b>44,910</b>	<b>66,148</b>

## 8. DIRECTORS' REMUNERATION

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

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Non-executive directors:		
Fees	180	180
Executive directors:		
Salaries	1,790	2,170
Pension scheme contributions	36	—
	<u>2,006</u>	<u>2,350</u>

Fees include HK\$120,000 (2000: HK\$120,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of all directors fell within the following bands:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	8	7
HK\$1,000,001 to HK\$1,500,000	—	1
	<u>8</u>	<u>8</u>

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

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees of the Group included one (2000: two) director, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining four (2000: three) non-director, highest paid employees are as follows:

	Group	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Salaries	1,924	1,426
Pension scheme contributions	48	—
	<u>1,972</u>	<u>1,426</u>

The remuneration of each of the non-director highest paid employees fell within the band of Nil to HK\$1,000,000 for the years ended 31 December 2000 and 2001.

**10. TAX**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	<i>HK\$'000</i>
Group:		
Provision for the year:		
People's Republic of China:		
Hong Kong	<b>3,547</b>	4,297
Elsewhere	<b>4,299</b>	3,944
	<hr/>	<hr/>
	<b>7,846</b>	8,241
Over provision in prior years	<b>(983)</b>	(470)
	<hr/>	<hr/>
	<b>6,863</b>	7,771
Share of tax attributable to associates	<b>(1,923)</b>	—
	<hr/>	<hr/>
Tax charge for the year	<b>4,940</b>	7,771
	<hr/> <b>          </b>	<hr/> <b>          </b>

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 in the People's Republic of China have been calculated at the applicable rates of tax prevailing in the areas in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

**11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS**

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company, is HK\$18,062,000 (2000: restated net profit of HK\$186,018,000).

The comparative amount for 2000 has been restated by a prior year adjustment resulting in a net credit of HK\$28,000,000 to the Company's net profit for that year, and a net debit of the same amount to the retained profits at 1 January 2000. The prior year adjustment reversed dividend from a subsidiary which was declared and approved by the subsidiary after 31 December 1999, but which was recognised by the Company as revenue in its financial statements for that year. The same amount of dividend was recognised as revenue in the Company's financial statements for the year ended 31 December 2000. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 27 to the financial statements.

The Group's share of profits retained by the associates for the year amounted to HK\$6,626,000 (2000: share of losses of HK\$22,226,000).

## 12. DIVIDENDS

	<b>Group and Company</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Interim dividend of 0.18 HK cents, as adjusted for the bonus issue of shares on 20 November 2001 (2000: 0.16 HK cents as adjusted for the bonus issues of shares on 20 November 2000, 20 July 2001 and 20 November 2001) per ordinary share	<b>6,061</b>	5,262
Underprovision of prior year's final dividend	—	121
Proposed final dividend of 0.25 HK cents (2000: 0.23 HK cents as adjusted for the bonus issues of shares on 20 July 2001 and 20 November 2001) per ordinary share	<b>8,334</b>	7,577
	<b>14,395</b>	12,960

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 9 "Events after 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\$7,577,000, 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 Group's and the Company's current liabilities and increase the reserves previously reported as at 31 December 2000, by HK\$7,577,000.

The effect of this change in accounting policy as at 31 December 2001, is that the current year's proposed final dividend of HK\$8,334,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

## 13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings/(loss) per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$20,419,000 (2000: restated net loss of HK\$24,068,000) and the weighted average of 3,333,771,936 (2000: 3,287,802,537 as adjusted for the bonus issues of shares in 2001) ordinary shares in issue during the year, as adjusted to reflect the bonus issues during the year.

The loss per share for the year ended 31 December 2000 has been adjusted to take into account the effect of bonus issues of shares during the year ended 31 December 2001.

A diluted earnings per share amount for the year ended 31 December 2001 has not been disclosed as no diluting events existed during the year. A diluted loss per share amount for the year ended 31 December 2000 has not been disclosed as the warrants outstanding during that year had an anti-dilutive effect on the basic loss per share for that year.

14. INTERESTS IN SUBSIDIARIES

	Company	
	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Unlisted shares, at cost	656,622	656,622
Due from subsidiaries	265,880	260,950
Due to subsidiaries	(1,800)	(1,200)
	<u>920,702</u>	<u>916,372</u>

The amounts due from/(to) 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 issued share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Call Rich Investments Limited	British Virgin Islands	US\$50,000	49.28**/**	Investment holding
Charter Million Investment Limited	Hong Kong/ PRC	HK\$2	60	Property investment
Fexlink Limited	Hong Kong	HK\$100	57.5	Property investment
Forever Richland Limited	British Virgin Islands	US\$50,000	75	Investment holding
Fortune Text Holdings Limited	Hong Kong/ PRC	HK\$2	60	Property investment
Good Connection Investments Limited	British Virgin Islands/ PRC	US\$50,000	39.57**/**	Property investment
Grandfield Nominees Limited	Hong Kong	HK\$1,000,000	100	Property investment



14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Head Wonder International Limited	British Virgin Islands	US\$10,000	60	Investment holding
Kiuson Development Limited	Hong Kong	HK\$100	39.57**/****	Investment holding
Kiuson Development (Shanghai) Ltd.	PRC	US\$10,000,000	39.57**/****	Property investment
Lau & Partners Consultants Limited	Hong Kong/ PRC	HK\$10,000	100	Property investment
Limitless Investment Limited	British Virgin Islands	US\$2	100	Investment holding
Lucky River Limited	British Virgin Islands	US\$1	100	Investment holding
Maxlord Limited	Hong Kong	HK\$10,000	100	Property investment
Million Growth Investment Limited @	Hong Kong	HK\$10,000	100	Provision of recreational services
Multifield (Holdings) Limited	Hong Kong	HK\$1,000,000	100	Investment holding, provision of management services and agency services
Multifield Hotel Serviced Apartment Management (Shanghai) Ltd.	PRC	US\$200,000	75	Provision of property management and administration services

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Multifield International Hotel Management Limited	Hong Kong	HK\$10,000	100	Provision of property management and administration services
Multifield Investment (HK) Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Investment (PRC) Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Management Services Limited	British Virgin Islands	US\$2	100	Investment holding
Multifield Properties Holdings Limited	British Virgin Islands	US\$1	100	Investment holding
Multifield Properties Limited	Hong Kong	HK\$9,000	100	Investment holding
Multifield Property Agency Limited	Hong Kong	HK\$2	100	Provision of property agency services
Multifield Property Management Limited	Hong Kong	HK\$2	100	Provision of property management services
Multifield International Holdings (B.V.I.) Limited	British Virgin Islands	US\$40	100	Investment holding
Nichiyu Consultants Limited	British Virgin Islands/ PRC	US\$2	100	Provision of consultancy services

14. INTERESTS IN SUBSIDIARIES (continued)

Name	Place of incorporation/ registration and operations	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company	Principal activities
Quick Profits Limited	British Virgin Islands	US\$2	100	Investment holding
Quick Returns Group Limited	British Virgin Islands	US\$1	100	Investment holding
Richwell Properties Limited	Hong Kong	Ordinary HK\$110,000 Non-voting deferred HK\$10,000#	57.5	Property investment
Silver Nominees Limited	Hong Kong	HK\$2	100	Property investment
Sino Yield Investments Limited	British Virgin Islands	US\$3	66.7	Investment holding
Skilful Investments Limited	British Virgin Islands/ PRC	US\$50,000	39.57****	Property letting
Tellink Development Limited	Hong Kong/ PRC	HK\$100	100	Property investment
Triple Luck Investments Limited	British Virgin Islands	US\$50,000	57.5	Investment holding
Verywell Properties Limited	British Virgin Islands/ Hong Kong	US\$1	100	Property investment
Win Channel Enterprises Limited	Hong Kong	HK\$2	66.7	Property investment
Windsor Properties (Shanghai) Co., Ltd.	PRC	US\$5,000,000	100	Property investment
Windsor Property Management (Shanghai) Co., Ltd.	PRC	US\$200,000	100	Provision of property management services

**14. INTERESTS IN SUBSIDIARIES** (continued)

<b>Name</b>	<b>Place of incorporation/ registration and operations</b>	<b>Nominal value of issued share capital/ registered capital</b>	<b>Percentage of equity interest attributable to the Company</b>	<b>Principal activities</b>
Winner Strong Limited	Hong Kong	HK\$100	57.5	Property investment
Wise Chance Limited	Hong Kong	HK\$100	100@@	Pub operations
Wise Success Limited	Hong Kong	HK\$100	57.5	Property investment

Except for Multifield International Holdings (B.V.I.) Limited, all subsidiaries are indirectly held by the Company.

\* *These companies are subsidiaries of non-wholly-owned subsidiaries of the Company and, accordingly, are accounted for as subsidiaries by virtue of the Company's control over the entities.*

\*\* *The Group holds a direct equity interest of 45% in this subsidiary, and an indirect equity interest of 4.28% by virtue of the Group's 28.21% interest in Oriental Explorer Holdings Limited, which holds a 15.18% equity interest in this subsidiary.*

\*\*\* *The Group holds a direct equity interest of 37% in these subsidiaries, and an indirect equity interest of 2.57% by virtue of the Group's 28.21% interest in Oriental Explorer Holdings Limited, which holds a 9.1% equity interest in these subsidiaries.*

@ *During the year, the Group acquired Million Growth Investment Limited from Smart Win Development Limited. Further details of this acquisition are included in notes 28(b) and 33 to the financial statements.*

@@ *The equity interest in this subsidiary increased from 57.5% to 100% during the year.*

# *The deferred shares carry no rights to dividends, no rights to vote at general meetings, no rights to participate in the profits or assets and no rights to receive any surplus on a return of capital on a winding-up (other than the amount paid up on such shares, provided that the holders of the ordinary shares of that company have been distributed, in the winding-up, a sum of HK\$100,000,000,000 in aggregate).*

The above table lists 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.

15. FIXED ASSETS

Group

	Leasehold land and buildings <i>HK\$'000</i>	Leasehold improvements <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At 1 January 2001	9,802	2,822	16,321	5,790	34,735
Arising from acquisition of a subsidiary	—	1,625	437	—	2,062
Additions	—	651	778	—	1,429
Disposals	—	—	(12)	(1,865)	(1,877)
<b>At 31 December 2001</b>	<b>9,802</b>	<b>5,098</b>	<b>17,524</b>	<b>3,925</b>	<b>36,349</b>
Accumulated depreciation:					
At 1 January 2001	77	2,104	9,228	3,936	15,345
Arising from acquisition of a subsidiary	—	1,625	437	—	2,062
Provided during the year	204	568	2,793	652	4,217
Disposals	—	—	(11)	(1,865)	(1,876)
<b>At 31 December 2001</b>	<b>281</b>	<b>4,297</b>	<b>12,447</b>	<b>2,723</b>	<b>19,748</b>
Net book value:					
<b>At 31 December 2001</b>	<b>9,521</b>	<b>801</b>	<b>5,077</b>	<b>1,202</b>	<b>16,601</b>
At 31 December 2000	9,725	718	7,093	1,854	19,390

The Group's leasehold land and buildings included above are held in the PRC under the following lease terms:

	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
At cost:		
Long term leases	302	302
Medium term leases	9,500	9,500
	<b>9,802</b>	9,802

Certain of the Group's land and buildings with a net book value of approximately HK\$9,310,000 (2000: HK\$9,500,000) were pledged to secure general banking facilities granted to the Group (note 22).

16. INVESTMENT PROPERTIES

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
At beginning of year	<b>1,447,300</b>	1,581,270
Additions, at cost	—	1,301
Prior years' development cost overprovision	—	(8,893)
Transfer to fixed assets	—	(9,500)
Arising from disposal of interests in subsidiaries	—	(5,400)
Deficit on revaluation	<b>(72,200)</b>	(111,478)
	<hr/>	<hr/>
At end of year	<b><u>1,375,100</u></b>	<u>1,447,300</u>

The Group's investment properties at 31 December 2001 are situated in the People's Republic of China and are held under the following lease terms:

	<b>Hong Kong</b>	<b>Elsewhere</b>	<b>Total</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Long term leases, at valuation	250,000	970,000	1,220,000
Medium term leases, at valuation	155,100	—	155,100
	<hr/>	<hr/>	<hr/>
	<b><u>405,100</u></b>	<b><u>970,000</u></b>	<b><u>1,375,100</u></b>

The revaluation of the Group's investment properties as at 31 December 2001 was performed by B.I. Appraisals Limited, an independent firm of professionally qualified valuers, on an open market value, existing use basis.

The investment properties held by the Group are leased to third parties under operating leases, further summary details which are included in note 31 to the financial statements.

At 31 December 2001, certain of the Group's investment properties with a value of HK\$943,500,000 (2000: HK\$999,600,000), were pledged to secure general banking facilities granted to the Group (note 22).

Further particulars of the Group's investment properties are included on pages 62 to 64.

## 17. GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amount of the goodwill capitalised as an asset in the consolidated balance sheet, arising from the acquisition of a subsidiary, is as follows:

	<b>Group</b> <i>HK\$'000</i>
Cost:	
Acquisition of a subsidiary and balance at 31 December 2001	1,795
Accumulated amortisation:	
Amortisation provided during the year and balance at 31 December 2001	(269)
Net book value:	
At 31 December 2001	<u>1,526</u>

## 18. INTERESTS IN ASSOCIATES

	<b>Group</b>	
	<b>2001</b> <i>HK\$'000</i>	2000 <i>HK\$'000</i> (Restated)
Share of net assets:		
Listed investment in Hong Kong	<b>71,356</b>	48,626
Unlisted investments	<b>44,823</b>	48,883
Negative goodwill on acquisition	<b>(25,252)</b>	(18,786)
	<u><b>90,927</b></u>	<u>78,723</u>
Loans to associates	<b>158,570</b>	116,425
Loans from associates	<b>(30,760)</b>	(10,630)
	<u><b>218,737</b></u>	<u>184,518</u>
Listed shares, at market value	<u><b>25,607</b></u>	<u>17,910</u>

Except for a loan to an associate amounting to HK\$79,462,000 (2000: HK\$66,218,000) which is interest-bearing at 10% per annum (2000: 10% per annum), the loans to/from the associates are unsecured, interest-free and have no fixed terms of repayment.

**18. INTERESTS IN ASSOCIATES** *(continued)*

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amount of negative goodwill recognised in interests in associates arising from the acquisition thereof are as follows:

	<b>Group</b> <i>HK\$'000</i>
Cost:	
At beginning of year:	
As previously reported	—
Prior year adjustment	25,037
	<hr/>
As restated	25,037
Acquisition of interest in an associate	12,786
Arising from deemed disposal of interest in an associate	(908)
	<hr/>
<b>At 31 December 2001</b>	<b>36,915</b>
	<hr/>
Accumulated recognition as income:	
At beginning of year:	
As previously reported	—
Prior year adjustment	6,251
	<hr/>
As restated	6,251
Recognised as income during the year	5,715
Arising from deemed disposal of interest in an associate	(303)
	<hr/>
<b>At 31 December 2001</b>	<b>11,663</b>
	<hr/>
Net book value:	
<b>At 31 December 2001</b>	<b>25,252</b>
	<hr/>
At 31 December 2000 (as restated)	18,786
	<hr/>

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits negative goodwill in respect of previous acquisitions of interests in associates to be restated and included in the carrying amount of interests in associates in accordance with the new accounting policy.

The prior year adjustment so arising has resulted in negative goodwill previously credited to the capital reserve of HK\$25,037,000 as at 1 January 2001, being restated and included in interests in associates as at that date. The cumulative amount of negative goodwill that would have been recognised in the consolidated profit and loss account under the new accounting policy, of HK\$6,251,000 as at 1 January 2001, has been restated as the balance of accumulated recognition as income as at that date.

The effect of this change in accounting policy on the consolidated profit and loss account for the current year was to increase the negative goodwill recognised as income by HK\$5,715,000.

The amount of negative goodwill recognised as income, of HK\$6,251,000 as at 1 January 2001 and HK\$1,499,000 as at 1 January 2000, has been adjusted to the balance of retained profits as at those dates.



**18. INTERESTS IN ASSOCIATES** (continued)

Extracts of the published consolidated operating results and consolidated financial position of the major associate, Oriental Explorer Holdings Limited, are as follows:

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Operating results for the year:		
Turnover	<b>720,993</b>	1,280,586
Net profit/(loss) attributable to shareholders	<b>28,936</b>	(104,581)
Financial position:		
Non-current assets	<b>92,801</b>	174,096
Current assets	<b>287,043</b>	389,316
Current liabilities	<b>(126,900)</b>	(331,579)
Non-current liabilities	—	(84)
Minority interests	—	(17,534)
Net assets	<b>252,944</b>	214,215

Details of the principal associates, which are all of a corporate business structure, are as follows:

Name	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Prince Properties Limited	Hong Kong	50	Investment holding
Rich Returns Limited*	British Virgin Islands	51.38	Investment holding
Ever Ford Development Limited*	Hong Kong	51.38	Investment holding
Windsor Property Development (Shanghai) Co., Ltd.*	PRC	51.38	Property investment
Linkful (Holdings) Limited	Hong Kong	28.21	Investment holding
Linkful Material Supply Limited	Hong Kong	28.21	Metal trading
Linkful Metals Trading Limited	British Virgin Islands/ Thailand	28.21	Metal trading

18. INTERESTS IN ASSOCIATES (continued)

Name	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Linkful (PRC) Investments Limited	Hong Kong	28.21	Investment holding
Linkful Investment (Holdings) Limited	British Virgin Islands	28.21	Investment holding
Katarti Navigation Company Limited	Cyprus	28.21	Vessel holding
Oriental Explorer Holdings Limited	Bermuda	28.21	Investment holding
Linkful Management Services Limited	Hong Kong	28.21	Provision of management services
Linkful Strategic Investment Limited	British Virgin Islands	28.21	Investment holding
Linkful Properties Company Limited	Hong Kong	28.21	Property holding
Linkful (PRC) Holdings Limited	British Virgin Islands	28.21	Investment holding
Inter China Limited#	British Virgin Islands	16.08	Investment holding
Linkful Electronics Limited	British Virgin Islands	28.21	Investment holding
Alphatronics Limited#	Hong Kong	21.16	Trading of electronic products
Alphatronics Electronic (Shenzhen) Co., Ltd.#	People's Republic of China	21.16	Manufacture of electronic components
Snowdon Worldwide Limited	British Virgin Islands	28.21	Investment holding

\* The Group holds a direct equity interest of 48% in these associates, and an indirect equity interest of 3.38% (2000: 2.72%) by virtue of the Group's 28.21% (2000: 22.70%) interest in Oriental Explorer Holdings Limited, which holds a 12.00% (2000: 12.00%) equity interest in these associates.

# These companies are non-wholly-owned subsidiaries of an associate of the Group and, accordingly, are accounted for as associates by virtue of the associate's control over these entities.

**18. INTERESTS IN ASSOCIATES** *(continued)*

Except for Prince Properties Limited, Rich Returns Limited and Oriental Explorer Holdings Limited which are held through wholly-owned subsidiaries of the Group, all associates are held by other associates.

The above table lists the associates of the Group 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 associates would, in the opinion of the directors, result in particulars of excessive length.

**19. PROPERTIES HELD FOR SALE**

The properties held for sale are stated at cost, and are held under medium term leases in Hong Kong and are pledged to secure general banking facilities granted to the Group (note 22).

**20. ACCOUNTS RECEIVABLE**

An aged analysis of accounts receivable at the balance sheet date is as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
1 - 3 months	<b>4,175</b>	5,356
4 - 6 months	<b>681</b>	751
Over 6 months	<b>48</b>	758
	<b>4,904</b>	6,865

The tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rental in order to secure any default in their rental payments.

**21. SHORT TERM INVESTMENTS**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Equity investments listed in Hong Kong, at market value	<b>—</b>	1,320

## 22. BANK LOANS, SECURED

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Bank loans are repayable:		
Within one year	<b>59,798</b>	43,208
In the second year	<b>62,244</b>	152,259
In the third to fifth years, inclusive	<b>365,971</b>	330,664
Wholly repayable beyond five years	<b>199,935</b>	211,561
	<hr/> <b>687,948</b>	<hr/> 737,692
Less: Portion due within one year classified as current liabilities	<b>(59,798)</b>	(43,208)
Long term portion	<hr/> <b>628,150</b>	<hr/> 694,484

The Group's banking facilities were secured by:

- (i) a pledge on the Group's time deposits of HK\$3,832,000;
- (ii) first legal charges over certain of the Group's investment properties, fixed assets and properties held for sale with an aggregate net book value of approximately HK\$1,206 million at the balance sheet date;
- (iii) personal guarantees given by certain directors of the Company and its subsidiaries and the minority shareholders; and
- (iv) corporate guarantees issued by the Company.

## 23. ACCOUNTS PAYABLE

An aged analysis of accounts payable at the balance sheet date is as follows:

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
1 - 3 months	<b>1,198</b>	1,392
4 - 6 months	—	—
Over 6 months	—	3,469
	<hr/> <b>1,198</b>	<hr/> 4,861

**24. DUE TO A DIRECTOR/MINORITY SHAREHOLDER**

The amount due to a director is unsecured, interest-free and is not repayable within one year. The amount due to a minority shareholder is unsecured, interest-free and has no fixed terms of repayment.

In the prior year, the amount due to a director/minority shareholder is unsecured, interest-free and has no fixed terms of repayment.

**25. DEFERRED TAX**

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
At beginning and end of year	<b><u>31,131</u></b>	<u>31,131</u>

The major components of the Group's provision for deferred tax, which have been provided for in the financial statements, are related to the tax effect on unrealised losses on property transactions between Group companies.

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.

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

**26. SHARE CAPITAL**

**Shares**

	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Authorised:		
5,000,000,000 shares of HK\$0.10 each	<b><u>500,000</u></b>	<u>500,000</u>
Issued and fully paid:		
3,333,771,936 (2000: 2,525,584,800) shares of HK\$0.10 each	<b><u>333,377</u></b>	<u>252,558</u>

During the year, the following movements in the issued and fully paid share capital of the Company were noted:

<b>Period</b>	<b>Description</b>	<b>Number of ordinary shares</b>	<b>Share capital HK\$'000</b>
Balance at beginning of year		2,525,584,800	252,558
20 July 2001	One-for-five bonus issue	505,116,960	50,512
20 November 2001	One-for-ten bonus issue	<u>303,070,176</u>	<u>30,307</u>
Balance at end of year		<b><u>3,333,771,936</u></b>	<b><u>333,377</u></b>

On 21 June 2001, the directors recommended a bonus issue of one new share for every five existing shares held by the shareholders whose names appeared on the register of members of the Company on 21 June 2001. On 20 July 2001, 505,116,960 shares of HK\$0.10 each were allotted by way of capitalisation of the Company's contributed surplus of HK\$50,512,000.

On 21 September 2001, the directors recommended a bonus issue of one new share for every ten existing shares held by the shareholders whose names appeared on the register of members of the Company on 31 October 2001. On 20 November 2001, 303,070,176 shares of HK\$0.10 each were allotted by way of capitalisation of the Company's contributed surplus of HK\$30,307,000.

On consolidation, the above bonus issues of shares were credited by way of capitalisation of the Group's retained profits amounting to HK\$80,819,000.

**Share options**

The Company operates a share option scheme, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on pages 12 to 13. No share options have been granted since the establishment of the scheme.

27. RESERVES

Group

	Share premium account <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2000:						
As previously reported	54,346	431,527	22,485	548	271,519	780,425
Prior year adjustment:						
SSAP 30 - restatement to non-current assets section of balance sheet of negative goodwill on acquisition of interest in an associate <i>(notes 2 and 18)</i>	—	—	(22,485)	—	1,499	(20,986)
As restated	54,346	431,527	—	548	273,018	759,439
Deficit on revaluation of investment properties	—	(90,988)	—	—	—	(90,988)
Arising from disposal of interests in investment properties	—	(435)	—	—	—	(435)
Exercise of warrants	18,320	—	—	—	—	18,320
Issue of bonus shares	(72,606)	—	—	—	(133,155)	(205,761)
Share issue expenses	(60)	—	—	—	—	(60)
Net loss for the year (as restated)	—	—	—	—	(24,068)	(24,068)
Interim 2000 dividend	—	—	—	—	(5,262)	(5,262)
Underprovision of prior year's final dividend	—	—	—	—	(121)	(121)
Proposed final 2000 dividend	—	—	—	—	(7,577)	(7,577)
At 31 December 2000	—	340,104	—	548	102,835	443,487

27. RESERVES (continued)

Group (continued)

	Share premium account <i>HK\$'000</i>	Investment property revaluation reserve <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange fluctuation reserve <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2001:						
As previously reported	—	340,104	25,037	548	96,584	462,273
Prior year adjustment:						
SSAP 30 - restatement to non-current assets section of balance sheet of negative goodwill on acquisition of interest in an associate (notes 2 and 18)	—	—	(25,037)	—	6,251	(18,786)
As restated	—	340,104	—	548	102,835	443,487
Deficit on revaluation of investment properties	—	(56,799)	—	—	—	(56,799)
Issues of bonus shares	—	—	—	—	(80,819)	(80,819)
Net profit for the year	—	—	—	—	20,419	20,419
Interim 2001 dividend	—	—	—	—	(6,061)	(6,061)
Proposed final 2001 dividend	—	—	—	—	(8,334)	(8,334)
<b>At 31 December 2001</b>	<b>—</b>	<b>283,305</b>	<b>—</b>	<b>548</b>	<b>28,040</b>	<b>311,893</b>
Reserves retained by:						
Company and subsidiaries	—	340,104	—	548	126,739	467,391
Associates	—	—	—	—	(23,904)	(23,904)
31 December 2000	—	340,104	—	548	102,835	443,487
Company and subsidiaries	—	283,305	—	548	45,318	329,171
Associates	—	—	—	—	(17,278)	(17,278)
<b>31 December 2001</b>	<b>—</b>	<b>283,305</b>	<b>—</b>	<b>548</b>	<b>28,040</b>	<b>311,893</b>



27. RESERVES (continued)

Company

	Share premium account <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Retained profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2000:				
As previously reported	54,346	623,622	20,940	698,908
Prior year adjustment:				
SSAP 18 (Revised) - dividend from a subsidiary no longer recognised as income for the year (notes 2 and 11)	—	—	(28,000)	(28,000)
As restated	54,346	623,622	(7,060)	670,908
Exercise of warrants	18,320	—	—	18,320
Issue of bonus shares	(72,606)	(33,921)	(99,234)	(205,761)
Share issue expenses	(60)	—	—	(60)
Net profit for the year (as restated)	—	—	186,018	186,018
Interim 2000 dividend	—	—	(5,262)	(5,262)
Underprovision of prior year's final dividend	—	—	(121)	(121)
Proposed final 2000 dividend	—	—	(7,577)	(7,577)
At 31 December 2000 and at 1 January 2001	—	589,701	66,764	656,465
Issues of bonus shares	—	(80,819)	—	(80,819)
Net profit for the year	—	—	18,062	18,062
Interim 2001 dividend	—	—	(6,061)	(6,061)
Proposed final 2001 dividend	—	—	(8,334)	(8,334)
<b>At 31 December 2001</b>	<b>—</b>	<b>508,882</b>	<b>70,431</b>	<b>579,313</b>

The contributed surplus of the Company arose as a result of the Group reorganisation in preparation for the public listing of the Company's shares and warrants on the Stock Exchange of Hong Kong in 1998 and represents the excess of the fair value of the shares of the subsidiaries acquired over the nominal value of the shares of the Company issued in exchange therefor. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus may be distributed to the Company's shareholders under certain circumstances.

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

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

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i> (Restated)
Profit from operating activities	<b>79,184</b>	82,696
Interest income	<b>(5,231)</b>	(5,350)
Dividend income from short term listed investments	—	(135)
Gain on disposal of short term listed investments	<b>(299)</b>	—
Gain on disposal of fixed assets	<b>(40)</b>	(39)
Depreciation	<b>4,217</b>	4,426
Amortisation of goodwill	<b>269</b>	—
Negative goodwill recognised as income	<b>(5,715)</b>	(4,752)
Provisions for bad and doubtful debts	<b>702</b>	3,046
Provisions for other receivables	<b>375</b>	—
Loss on disposal of interests in investment properties	—	1,225
Unrealised holding losses on short term listed investments	—	296
Loss on deemed disposal of interest in an associate	<b>4,333</b>	—
PRC indirect taxes	<b>8,404</b>	9,089
Decrease/(increase) in accounts receivable	<b>1,269</b>	(2,100)
Increase in prepayments, deposits and other receivables	<b>(26)</b>	(2,932)
Decrease in accounts payable	<b>(3,682)</b>	(1)
Decrease in accrued expenses and other payables	<b>(2,260)</b>	(7,567)
Decrease in deposits received	<b>(1,223)</b>	(1,765)
	<hr/>	<hr/>
Net cash inflow from operating activities	<b>80,277</b>	76,137

(b) Acquisition of a subsidiary

	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Net assets acquired:		
Cash and bank balances	<b>272</b>	—
Accounts receivable	<b>10</b>	—
Prepayments, deposits and other receivables	<b>504</b>	—
Accounts payable	<b>(19)</b>	—
Accrued expenses and other payables	<b>(1,582)</b>	—
	<hr/>	<hr/>
	<b>(815)</b>	—
Goodwill on acquisition	<b>1,795</b>	—
	<hr/>	<hr/>
	<b>980</b>	—
	<hr/>	<hr/>
Satisfied by:		
Cash	<b>980</b>	—
	<hr/>	<hr/>

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Acquisition of a subsidiary (continued)

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

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Cash consideration	<b>(980)</b>	—
Cash and bank balances acquired	<b>272</b>	—
	<hr/>	<hr/>
Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary	<b>(708)</b>	—
	<hr/>	<hr/>

On 31 March 2001, the Group acquired a 100% interest in Million Growth Investment Limited ("Million Growth"). Million Growth is engaged in the provision of recreational services. The transaction has been classified as a related party transaction, further details of which are included in note 33 to the financial statements. The purchase consideration for the acquisition was in the form of cash.

Since its acquisition, Million Growth had no significant contribution to the Group's turnover or the consolidated profit after tax and before minority interests for the year ended 31 December 2001.

For the year ended 31 December 2001, Million Growth paid HK\$600,000 in respect of the cash flows for investing activities, but had no significant impact in respect of the Group's net operating cash flows, returns on investments and servicing of finance, financing activities and payment of tax.

(c) Disposal of subsidiaries

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Net assets disposed of:		
Fixed assets	—	10
Investment properties	—	5,400
Prepayments, deposits and other receivables	—	12
Tax payable	—	(262)
	<hr/>	<hr/>
	—	5,160
Realisation of revaluation reserves attributable to the disposed subsidiaries	—	(435)
	<hr/>	<hr/>
	—	4,725
Loss on disposal of subsidiaries	—	(1,225)
	<hr/>	<hr/>
	—	3,500
	<hr/>	<hr/>
Satisfied by:		
Cash	—	3,500
	<hr/>	<hr/>

28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Disposal of subsidiaries (continued)

An analysis of the net inflow of cash and cash equivalents in respect of the above disposal of subsidiaries is as follows:

	2001 HK\$'000	2000 HK\$'000
Cash consideration	—	3,500
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	—	3,500

The subsidiaries that the Group disposed of in 2000 contributed HK\$255,000 to the Group's net operating cash inflows but had no significant impact on the cashflows in respect of the investing activities, financing activities, net returns on investments and servicing of finance and tax.

The results of the subsidiary disposed of in 2000 had no significant impact on the Group's turnover or the loss after tax for the year ended 31 December 2000.

(d) Analysis of changes in financing during the year

	Issued capital and share premium account HK\$'000	Bank loans HK\$'000	Due to a director HK\$'000	Minority interests and due to a minority shareholder HK\$'000	Loans from associates HK\$'000
At 1 January 2000	94,346	711,437	5,125	416,652	197
Net cash inflow/(outflow) from financing	25,057	26,255	7,596	(5,020)	3,890
Issues of bonus shares	133,155	—	—	—	—
Advances classified as investing activities	—	—	—	—	(993)
Assignment of loan from a minority shareholder to an associate	—	—	—	(7,536)	7,536
Share of movements in reserves for the year	—	—	—	(20,490)	—
Share of profit for the year	—	—	—	10,619	—
At 31 December 2000 and 1 January 2001	252,558	737,692	12,721	394,225	10,630
Net cash inflow/(outflow) from financing	—	(49,744)	44,049	(4,940)	8,599
Issues of bonus shares	80,819	—	—	—	—
Assignment of loan from a minority shareholder to an associate	—	—	—	(11,531)	11,531
Share of movements in reserves for the year	—	—	—	(15,401)	—
Share of profit for the year	—	—	—	13,618	—
<b>At 31 December 2001</b>	<b>333,337</b>	<b>687,948</b>	<b>56,770</b>	<b>375,971</b>	<b>30,760</b>

**28. NOTES TO CONSOLIDATED CASH FLOW STATEMENT** (continued)

## (e) Major non-cash transactions

During the year, bonus issues of the Company's shares were credited by way of capitalisation of the Group's retained profits of HK\$80,819,000 (2000: retained profits and share premium of HK\$133,155,000 and HK\$72,606,000, respectively).

**29. COMMITMENTS**

	<b>2001</b> <b>HK\$'000</b>	2000 HK\$'000
Capital commitments:		
Authorised and contracted for:		
Associates:		
Properties under development	<b>13,931</b>	12,035
Authorised, but not contracted for:		
Group:		
Leasehold improvements	—	136
	<b>13,931</b>	12,171

At the balance sheet date, the Company did not have any material commitments (2000: Nil).

**30. CONTINGENT LIABILITIES**

The Company had guarantees amounting to HK\$438,223,000 (2000: HK\$32,407,000) given to banks for the banking facilities, which had been fully utilised at the balance sheet date, granted by the banks to certain subsidiaries.

Apart from the above, the Group and Company did not have any material contingent liabilities at the balance sheet date.

**31. OPERATING LEASE ARRANGEMENTS**

The Group leases its investment properties (note 16 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from one to three years. The tenants are usually required to settle the rental payments on the first day of the rental period, and are required to pay rental deposits with amounts ranging from two to three months' rental in order to secure any default in their rental payments.

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

	<b>Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Within one year	<b>79,268</b>	73,313
In the second to fifth years, inclusive	<b>29,949</b>	24,459
	<b><u>109,217</u></b>	<u>97,772</u>

**32. POST BALANCE SHEET EVENT**

On 22 March 2002, the Company published a circular for a proposed capital reduction of the Company's share capital (the "Capital Reduction") and increase in the authorised share capital of the Company. The nominal value of each of the issued and unissued shares in the capital of the Company was proposed to be reduced from HK\$0.10 each to HK\$0.01 each so that the authorised capital is reduced from HK\$500 million by HK\$450 million to HK\$50 million and the issued capital is to be reduced from HK\$333 million by HK\$300 million to HK\$33 million. The credit of HK\$300 million arising from the Capital Reduction will be transferred to the contributed surplus account of the Company. It was further proposed that immediately after the Capital Reduction, the authorised share capital of the Company will be increased to HK\$500 million by the creation of 45 billion new shares of the Company of HK\$0.01 each.

The implementation of the Capital Reduction became effective immediately after the close of business on the day of the special general meeting of the Company held on 17 April 2002, in which a special resolution by the Company's shareholders to approve the Capital Reduction was obtained.

### 33. RELATED PARTY TRANSACTIONS

The Group had the following transactions with related parties during the year:

	Notes	2001 HK\$'000	2000 HK\$'000
Lease rentals received from			
Linkful Management Services Limited	(i)	1,800	1,800
Business management fees received			
from Linkful Management Services Limited	(i)	960	960
Legal advisory fees paid to Cheung, Tong & Rosa	(ii)	—	95
Interest income received from an associate	(iii)	4,132	3,443
Advances to associates	(iv)	34,199	24,952
Advances from associates	(iv)	8,599	3,890
Acquisition of interest in a subsidiary			
from Smart Win Development Limited	(v)	980	—

Notes:

- (i) Mr. Lau Chi Yung, Kenneth ("Mr. Lau") and Mr. Tsang Pak Chung, Eddy, directors of the Company, are the directors of Linkful Management Services Limited. Mr. Lau is also a substantial shareholder of Oriental Explorer Holdings Limited, the ultimate holding company of Linkful Management Service Limited.

The lease rental received was arrived at after negotiations between both parties with reference to the prevailing market rentals.

The management fees were charged based on the direct cost incurred.

- (ii) Mr. Tong Wui Tung, Ronald, a non-executive director of the Company, is a partner of Cheung, Tong & Rosa. The fee paid was determined based on the cost of services provided plus a margin.
- (iii) The interest income received from an associate was charged at 10% per annum.
- (iv) The terms of the advances are set out in note 18 to the financial statements.
- (v) Mr. Lau has been involved in, and has a significant influence over the making of financial and operating decisions of Smart Win Development Limited ("Smart Win"). Hence, the acquisition is considered to be a related party transaction. The consideration was determined by reference to the nominal value of issued share capital of the subsidiary acquired and a loan advanced to it by Smart Win.

### 34. COMPARATIVE FIGURES

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

### 35. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 19 April 2002.