1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The financial statements also comply with the disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

(c) Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries prepared on the basis of presentation as described in note 1(b). All material intercompany transactions and balances are eliminated on consolidation.

(d) Investments in subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls over more than half of the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a subsidiary is consolidated into the consolidated financial statements, unless a subsidiary is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group.

Investment in subsidiaries in the Company's balance sheet is stated at cost less any impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Investments in joint ventures

A joint venture operates under a contractual arrangement between the Group or the Company and other parties, where the contractual arrangement establishes that the Group or the Company and one or more of the other parties share control over the economic activity of the joint venture.

An investment in a joint venture is accounted for in the consolidated financial statements under the equity method.

(f) Investments in associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor. The consolidated income statement reflects the Group's share of the post-acquisition results of the associates for the year.

Investments in associates in the Company's balance sheet is stated at cost less impairment losses, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor.

(g) Investments in securities

Securities held for trading are stated in the balance sheet at fair value. Changes in fair value are recognised in the income statement as they arise. Securities are presented as trading securities when they were acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin.

Gains or losses on disposal of investments in securities are determined as the difference between the estimated net disposal proceeds and the carrying amount of the investments and are accounted for in the income statement as they arise.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Fixed assets

(i) Fixed assets are carried in the balance sheets on the following bases:

– investment properties with an unexpired lease term of more than 20 years are stated at their open market value which is assessed annually by external qualified valuers; and

– other fixed assets are stated at cost less accumulated depreciation and impairment losses.

(ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:

– when a deficit arises on revaluation, it will be charged to the income statement, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and

– when a surplus arises on revalution, it will be credited to the income statement, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the income statement.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the relevant asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the income statement for the year. For all other fixed assets, any related revaluation surplus is transferred from the revaluation reserve to retained profits.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(i) Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost of the assets in equal annual amounts over the term of the relevant lease or, where it is likely the Company or the Group will obtain ownership of the asset, the life of the asset. Impairment losses are accounted for in accordance with the accounting policy as set out below. Finance charges implicit in the lease payments are charged to the income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the income statement in equal instalments over the accounting periods covered by the lease term. Lease incentives received are recognised in the income statement as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the income statement in the accounting period in which they are incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Depreciation

No depreciation is provided on investment properties except for those held on leases with an unexpired lease term of 20 years or less which are depreciated over the remaining term of the leases.

Depreciation is calculated to write off the cost of other fixed assets over their estimated useful lives as follows:

Buildings	30 years
Leasehold improvements	3-5 years
Furniture and fixtures	5 years
Motor vehicles	3-5 years

(k) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

– fixed assets other than investment properties;

– properties under development;

– investments in subsidiaries and associates; and

– positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

(i) Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Impairment of assets (cont'd)

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

A reversal of impairment losses is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(l) Properties under development and held for resale

Properties under development are stated at specifically identified cost, including borrowing costs capitalised, aggregate cost of development, materials and supplies, wages and other direct expenses, less any impairment losses considered necessary by the directors.

Properties held for resale are stated at the lower of cost or the estimated net realisable value. Net realisable value represents the estimated selling price less costs to be incurred in selling the property.

(m) Cash equivalents

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents include bank overdrafts.

(n) Deferred taxation

Deferred taxation is calculated under the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the income statement as follows:

(i) Rental income from operating leases

Rental income receivable under operating leases is recognised in equal instalments over the accounting periods covered by the lease term. Lease incentives granted are recognised as an integral part of the aggregate lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.

(ii) Interest income and property management income

Interest income from bank deposits and loans receivable are accrued on a time-apportioned basis by reference to the principal outstanding and the rate applicable. Property management income is recognised on a time-apportioned basis.

(iii) Securities trading

Sales proceeds on dealing of listed trading securities are recognised on the deal date.

(p) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses are dealt with in the income statement.

The results of subsidiaries outside Hong Kong are translated into Hong Kong dollars at the average exchange rates for the year, balance sheet items are translated at the rates of exchange ruling at the balance sheet date. The resulting exchange differences arising thereon are dealt with as a movement in reserves.

(q) Retirement costs

Defined contributions to retirement benefit schemes are charged to the income statement as and when incurred.

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(r) Related parties

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or entities.

(s) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

2. TURNOVER

The principal activities of the Company are investment holding and property investment. The principal activities of the subsidiaries are set out in note 13 to the financial statements.

Turnover represents securities trading, rental income, interest income and property management income. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	2001	2000
	$'000	*$'000*
Continuing operations:		
Securities trading	**49,142**	81,082
Rental income	**11,114**	12,029
Interest income	**6,452**	3,064
	66,708	96,175
Discontinued operation:		
Property management income	**–**	5,100
	66,708	101,275

The Group disposed of the property management business to an independent third party during the year.

3. OTHER INCOME, NET

	Note	2001 $'000	2000 $'000
Compensation income	(a)	**53,743**	–
Loss on disposal of investment properties		**(3,318)**	(37)
Gain from disposal of properties held for resale		**1,000**	–
Loss on disposal of property management business		**(1,008)**	–
Income from warranty	(b)	**–**	5,500
Net unrealised gains on trading securities carried at fair value		**–**	4,929
Other interest income from deposit refunded		**900**	–
Surplus/(deficit) on revaluation of investment properties		**3,514**	(695)
		54,831	9,697

Note:

(a) Compensation income represents compensation from joint venture partner in respect of the valuation of the land contributed to the joint venture.

(b) The amount of income from warranty represents a claim against an independent third party under a warranty in respect of the acquisition of a subsidiary in 1999.

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2001 $'000	2000 $'000
(a) Finance cost:		
Interest on bank advances and other borrowings repayable within 5 years	**1,176**	1,436
Finance charges on obligations under finance lease	**92**	22
Other borrowing costs	**2,922**	3,126
	4,190	4,584

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION (cont'd)

	2001 $'000	2000 $'000
(b) Other items:		
Impairment loss on goodwill included in capital reserve in respect of the disposal of property management business	**59,998**	–
Staff costs (including retirement costs of $124,000 (2000: $88,000))	**5,474**	3,842
Auditors' remuneration	**627**	413
Depreciation	**1,360**	373
Operating lease charges on land and buildings	**1,480**	1,008
Rental income from investment properties (net of direct outgoings of $1,432,000 (2000: $953,000))	**(9,682)**	(11,076)

	2001 Number of employees	2000 Number of employees
Average number of employees during the year	**61**	49

5. TAXATION

(a) Taxation in the consolidated income statement represents:

	2001 $'000	2000 $'000
Provision for Hong Kong Profits Tax for the year	**1,090**	2,561
Underprovision in respect of prior years	**185**	–
	1,275	2,561
Taxation outside Hong Kong	**811**	266
	2,086	2,827

The provision for Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits for the year ended 31 December 2001. Taxation for subsidiaries outside Hong Kong is charged at the appropriate current rates of taxation prevailing in the countries in which the Group operates based on prevailing laws, practices and interpretations thereof.

5. TAXATION

(b) Taxation in the consolidated balance sheets represents:

	2001	2000
	$'000	*$'000*
Provision for Hong Kong Profits Tax for the year	**1,090**	2,561
Provision for taxation outside Hong Kong for the year	**811**	266
Balance of tax provision relating to prior years	**3,955**	1,245
Tax payable	**5,856**	4,072

(c) Deferred taxation

No provision for deferred taxation has been made as the effect of all timing differences is immaterial.

6. DIRECTORS' REMUNERATION

Details of directors' remuneration are as follows:

	2001	2000
	$'000	*$'000*
Fees	**–**	–
Salaries and other emoluments	**1,950**	1,793
Bonuses	**–**	–
Retirement scheme contributions	**23**	–
	1,973	1,793

Included in the directors' remuneration were other emoluments of $180,000 (2000: $173,000) paid to the independent non-executive directors during the year.

The number of directors whose remuneration falls within the following designated bands is set out below:

	2001	2000
	Number of directors	Number of directors
$Nil – $1,000,000	**9**	6
$1,000,001 – $1,500,000	**1**	–
	10	6

7. INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, two (2000: three) are directors whose emoluments are disclosed in note 6 above. The aggregate of the emoluments in respect of the other three (2000: two) individuals are as follows:

	2001	2000
	$'000	*$'000*
Salaries and other emoluments	**813**	475
Bonuses	**–**	–
Retirement scheme contributions	**29**	–
	842	475

Their remuneration fell within the $Nil to $1,000,000 band.

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of $7,994,000 (2000: $14,897,000) which has been dealt with in the financial statements of the Company.

9. BASIC EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders for the year of $38,104,000 (2000: $23,943,000) and the weighted average of 2,161,888,721 (2000: 1,741,801,838) ordinary shares in issue during the year.

There was no potential dilution of earnings per share during 2001 and 2000.

10. SEGMENTAL REPORTING

Segment information is presented in respect of the Group's business and geographical segments. Business segment information is chosen as the primary reporting format because this is more relevant to the Group's internal financial reporting.

Business segments

The Group comprises the following main business segments:

Continuing operations:

Securities trading	:	The trading of listed securities
Property leasing	:	The leasing of residential apartments, commercial premises and car parks
Interest income	:	The placing of funds with banks and lending of funds to independent third parties

10. SEGMENTAL REPORTING (cont'd)

Business segments (cont'd)

Discontinued operation:

Property management : The provision of property management services

	Continuing operations								Discontinued operation			
	Securities trading		Property leasing		Interest income		Unallocated		Property management		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000	**2001**	2000
	$'000	*$'000*	**$'000**	*$'000*	**$'000**	*$'000*	**$'000**	*$'000*	**$'000**	*$'000*	**$'000**	*$'000*
Turnover	**49,142**	81,082	**11,114**	12,029	**6,452**	3,064	**–**	–	**–**	5,100	**66,708**	101,275
Contribution from operations	**(2,252)**	23,232	**16,078**	11,076	**6,452**	3,064	**–**	–	**(1,008)**	7,207	**19,270**	44,579
Unallocated operating income and expenses, net											**32,312**	(13,806)
Profit from operations											**51,582**	30,773
Finance cost											**(4,190)**	(4,584)
Share of results of associates											**(5)**	–
Taxation											**(2,086)**	(2,827)
Minority interests											**(7,197)**	581
Profit attributable to shareholders											**38,104**	23,943
Depreciation for the year	–	–	**–**	–	**–**	–	**1,360**	373	**–**	–	**1,360**	373
Impairment loss for the year	–	–	**–**	–	**–**	–	**–**	–	**59,998**	–	**59,998**	–
Segment assets	**–**	67,975	**141,640**	177,462	**33,462**	53,394	**386,152**	88,012	**39,990**	–	**601,244**	386,843
Segment liabilities	**2,345**	2,049	**4,545**	3,442	**–**	–	**84,124**	73,950	**500**	940	**91,514**	80,381
Capital expenditure incurred during the year	**–**	–	**–**	–	**–**	–	**48,717**	7,032	**–**	–	**48,717**	7,032

Geographical segments

In presenting information on the basis of geographical segments, segment revenue and profit are based on the geographical location of customers. Segment assets and capital expenditure are based on geographical location of the assets.

	Hong Kong		Rest of the PRC	
	2001	2000	**2001**	2000
	$'000	*$'000*	**$'000**	*$'000*
Turnover	**63,307**	92,154	**3,401**	9,121
Profit from operations	**(5,205)**	2,480	**56,787**	28,293
Segment assets	**217,092**	285,926	**384,152**	100,917
Capital expenditure incurred during the year	**2,940**	2,692	**45,777**	4,340

11. FIXED ASSETS

(a) The Group

	Investment properties $'000	Building $'000	Properties under development $'000	Leasehold improve-ments $'000	Furniture, fixtures and motor vehicles $'000	Total $'000
Cost or valuation:						
At 1 January 2001	176,086	2,597	1,743	795	2,849	184,070
Exchange adjustment	–	48	30	–	–	78
Additions	–	–	44,995	782	2,940	48,717
Disposals	(38,800)	–	–	–	–	(38,800)
Transfer to interest in joint venture	–	–	(46,768)	–	–	(46,768)
Surplus on revaluation	3,514	–	–	–	–	3,514
At 31 December 2001	**140,800**	**2,645**	**–**	**1,577**	**5,789**	**150,811**
Representing:						
Cost	–	2,645	–	1,577	5,789	10,011
Valuation – 2001	140,800	–	–	–	–	140,800
	140,800	**2,645**	**–**	**1,577**	**5,789**	**150,811**
Aggregate depreciation:						
At 1 January 2001	–	7	–	218	517	742
Charge for the year	–	88	–	255	1,017	1,360
At 31 December 2001	**–**	**95**	**–**	**473**	**1,534**	**2,102**
Net book value:						
At 31 December 2001	**140,800**	**2,550**	**–**	**1,104**	**4,255**	**148,709**
At 31 December 2000	176,086	2,590	1,743	577	2,332	183,328

11. FIXED ASSETS (cont'd)

(b) The Company

	Investment properties $'000	Leasehold improve-ments $'000	Furniture, fixtures and motor vehicles $'000	Total $'000
Cost or valuation:				
At 1 January 2001	35,000	795	1,407	37,202
Additions	–	–	158	158
Disposal	(35,000)	–	–	(35,000)
At 31 December 2001	**–**	**795**	**1,565**	**2,360**
Representing:				
Cost	–	795	1,565	2,360
Aggregate depreciation:				
At 1 January 2001	–	218	517	735
Charge for the year	–	203	374	577
At 31 December 2001	**–**	**421**	**891**	**1,312**
Net book value:				
At 31 December 2001	**–**	**374**	**674**	**1,048**
At 31 December 2000	35,000	577	890	36,467

11. FIXED ASSETS (cont'd)

(c) An analysis of net book value of properties is as follows:

	The Group		The Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
In Hong Kong				
Under medium-term leases	**106,270**	142,030	**–**	35,000
Outside Hong Kong				
Under long leases	**37,080**	38,389	**–**	–
	143,350	180,419	**–**	35,000

(d) The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	The Group	
	2001	2000
	$'000	*$'000*
Within 1 year	**7,106**	8,627
After 1 year but within 5 years	**2,873**	4,272
	9,979	12,899

The Group leases out investment properties under operating leases. The leases typically run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals. As at 31 December 2001, the Group's investment properties held for use in operating leases were $123,440,000 (2000: $127,639,000).

11. FIXED ASSETS (cont'd)

(e) Movements in investment properties revaluation deficit/(surplus) comprise:

	The Group		The Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Accumulated deficit/(surplus) at 1 January	**32,446**	34,712	**(456)**	(3,456)
(Surplus)/deficit on revaluation for the year	**(3,514)**	695	**–**	3,000
Reversal of surplus/(deficit) on revaluation upon disposal	**966**	(2,961)	**456**	–
Accumulated deficit/(surplus) at 31 December	**29,898**	32,446	**–**	(456)

(f) The investment properties were revalued at 31 December 2001 by an independent firm of surveyors, B.I. Appraisals who have among their staff Associates of the Hong Kong Institute of Surveyors, on an open market value basis calculated by reference to net rental income allowing for reversionary income potential.

(g) Certain investment properties are pledged for the banking facilities granted to the Group (note 23).

(h) The net book value of motor vehicles held under finance lease of the Group was $1,336,860 as at 31 December 2001 (2000: $1,422,000).

12. INTEREST IN JOINT VENTURE

During the year, the Group entered into an agreement with an independent third party to jointly develop a property project in the PRC. The Group contributes a piece of land and takes up the costs of preliminary stage of the property construction and the joint venture party takes up all remaining costs of property construction. Profits from the sales of the property will be shared between the Group and the joint venture party on a 30:70 basis.

13. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2001	2000
	$'000	*$'000*
Unlisted shares, at cost	**265,671**	265,621
Less: Impairment losses	**(53,506)**	(53,506)
	212,165	212,115

(a) Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are unsecured, interest-free, and repayable on demand.

(b) Details of the principal subsidiaries are as follows:

Name	Place of incorporation/ establishment and operation	Nominal value of issued ordinary shares	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Sun Man Tai International (B.V.I.) Limited	British Virgin Islands ("BVI")	$274,051	100%	–	Investment holding
Marwell Estates Ltd.	BVI	US$1	100%	–	Securities trading
Express Century Limited	Hong Kong	$2	–	100%	Property investment
Master Venture Limited	Hong Kong	$2	–	100%	Property investment
Talent Ocean Limited	Hong Kong	$2	–	100%	Property investment
Great Luck Property Limited	Hong Kong	$2	–	100%	Property investment
BOCMT Real Estate Holdings Limited	Hong Kong	$1,000,000	100%	–	Investment holding
Sherwell Property Corp.	BVI	US$200	–	100%	Investment holding

13. INVESTMENTS IN SUBSIDIARIES (cont'd)

(b) Details of the principal subsidiaries are as follows: (cont'd)

Name	Place of incorporation/ establishment and operation	Nominal value of issued ordinary shares	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Xian BOCMT Estate Company Ltd#	PRC	US$10,000,000	–	85%	Property development

The company is a sino-foreign investment enterprise established in the PRC and the English name is translated from its corresponding Chinese registered name.

14. INTEREST IN ASSOCIATES

	The Group 2001 $'000	The Group 2000 $'000	The Company 2001 $'000	The Company 2000 $'000
Unlisted shares, at cost	**–**	–	**5**	–
Share of net assets	**–**	–	**–**	–
	–	–	**5**	–
Amounts due from associates	**30,412**	–	**30,412**	–
	30,412	–	**30,417**	–

(a) Amounts due from associates

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

(b) Details of the principal associate are as follows:

Name	Place of incorporation and operation	Nominal value of issued ordinary shares	Percentage of equity attributable to the Company Direct	Indirect	Principal activity
China Wanan Group Limited	Hong Kong	$10,000	50%	–	Investment holding

15. INVESTMENTS

	The Group	
	2001	2000
	$'000	*$'000*
Trading securities listed in Hong Kong, at market value	–	13,209

16. PROPERTIES HELD FOR RESALE

	The Group and the Company	
	2001	2000
	$'000	*$'000*
Properties held for resale, at cost	–	24,000

17. ACCOUNTS RECEIVABLE

Included in account receivables are debts which are normally due within 30 days from the date of billing. The ageing analysis is included as follows:

	The Group	
	2001	2000
	$'000	*$'000*
Current	**674**	1,128

18. LOANS RECEIVABLE

The amounts are unsecured, interest-bearing at rates ranging from 5 to 15% per annum and repayable within one year.

19. INVESTMENT DEPOSITS

		The Group		The Company	
		2001	2000	**2001**	2000
	Note	***$'000***	*$'000*	***$'000***	*$'000*
Deposits for property investment	*(a)*	**117,821**	–	**58,721**	–
Deposits held by agents	*(b)*	**96,087**	–	**39,420**	–
Deposits for joint ventures	*(c)*	**18,870**	21,840	**–**	21,840
		232,778	21,840	**98,141**	21,840

Notes:

(a) During the year, the Group placed investment deposits totalling $117,821,000 for properties which are being developed. Certain units of the respective properties will be transferred to the Group upon completion of the construction based on an agreed price. The properties are scheduled to be complete in 2003.

(b) Deposits totalling $96,087,000 are held by two agents appointed by the Group, who are engaged to search for the PRC properties and projects and make investments after having obtained the Group's prior approval. As at 31 December 2001, no funds were invested by the agents.

(c) Deposit of $18,870,000 was made to purchase an equity interest in a company which will establish a cooperative joint venture in the PRC. The deposit of $21,840,000 was refunded to the Group during the year as certain terms and conditions of a joint venture agreement were not fulfilled.

20. OTHER RECEIVABLES AND PREPAYMENTS

Other receivables and prepayments of the Group are expected to be recovered within one year except for utility deposits of $174,000 (2000: $560,000).

21. AMOUNT DUE FROM FELLOW SUBSIDIARY

The amount is unsecured, interest-free and is repayable on demand.

22. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Deposits with banks	**343**	517	**–**	–
Cash at bank	**634**	25,366	**209**	5,287
Cash in hand	**45,254**	13	**15**	12
	46,231	25,896	**224**	5,299

23 BANK LOANS AND OVERDRAFTS

The bank loans and overdrafts are repayable as follows:

	The Group		The Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year or on demand	**18,205**	22,813	**–**	687
After 1 year but within 2 years	**3,422**	3,008	**–**	741
After 2 years but within 5 years	**11,209**	10,530	**–**	2,534
After 5 years	**29,518**	32,267	**–**	14,914
	44,149	45,805	**–**	18,189
	62,354	68,618	**–**	18,876

The bank loans and overdrafts are secured on certain investment properties of the Group with an aggregate carrying value totalling $106,270,000 as at 31 December 2001 (2000: $137,200,000), together with the right to receive rentals thereon. The bank overdraft facility of $15,000,000 was fully utilised as at 31 December 2001 (2000: $20,000,000).

24. OBLIGATIONS UNDER FINANCE LEASE

At 31 December 2001, the Group had obligations under finance leases repayable as follows:

	The Group					
	2001			2000		
	Present value of the minimum lease payments	**Interest expense relating to future periods**	**Total minimum lease payments**	Present value of the minimum lease payments	Interest expense relating to future periods	Total minimum lease payments
	$'000	***$'000***	***$'000***	*$'000*	*$'000*	*$'000*
Within 1 year	**638**	**63**	**701**	665	66	731
After 1 year but within 2 years	**–**	**–**	**–**	443	44	487
	638	**63**	**701**	1,108	110	1,218

25. ACCOUNTS PAYABLE

The ageing analysis of accounts payable of the Group is set out as follows:

	The Group	
	2001	2000
	$'000	*$'000*
Due within 1 month or on demand	**101**	350

26. OTHER PAYABLES AND ACCRUALS

Other payables and accruals of the Group are expected to be settled within one year except for rental deposits received of $2,077,000 (2000: $2,603,000).

27. AMOUNT DUE TO MINORITY SHAREHOLDER

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

28. SHARE CAPITAL

	2001		2000	
	No. of shares	**Amount**	No. of shares	Amount
	'000	***$'000***	*'000*	*$'000*
Authorised:				
Ordinary shares at $0.01 each	**5,000,000**	**50,000**	5,000,000	50,000
Issued and fully paid:				
At 1 January	**1,969,417**	**19,694**	314,409	15,720
Shares split	**–**	**–**	1,257,637	–
Issue of new shares	**333,880**	**3,339**	397,371	3,974
At 31 December	**2,303,297**	**23,033**	1,969,417	19,694

Date of shares split and issue of new shares	**Number of new shares issued**	**Issued price per share**	**Aggregate amount received**
	'000	*$*	*$'000*
2000			
2 March 2000 – shares split	1,257,637	–	–
24 March 2000	15,000	0.28	4,200
27 March 2000	25,000	0.28	7,000
10 April 2000	107,371	0.28	30,065
28 September 2000	160,000	0.30	48,000
13 October 2000	50,000	0.30	15,000
16 October 2000	40,000	0.30	12,000
	1,655,008		116,265
2001			
20 February 2001	**53,880**	**0.74**	**39,871**
19 June 2001	**80,000**	**0.21**	**16,800**
27 June 2001	**200,000**	**0.21**	**42,000**
	333,880		**98,671**

28. SHARE CAPITAL (cont'd)

By an ordinary resolution passed on 1 March 2000, the ordinary shares of $0.05 each of the Company were split into five ordinary shares of $0.01 each with effect from 2 March 2000.

During the year 2001 and 2000, the Company placed a number of new ordinary shares to independent subscribers on the respective date at the respective share issue price. The new ordinary shares rank pari passu in all material aspects with the existing issued shares of the Company.

29. RESERVES

(a) The Group

	Share premium $'000	Contributed surplus $'000	Capital reserve $'000	Exchange reserve $'000	Retained earnings $'000	Total $'000
At 1 January 2000	81,448	31,350	(60,892)	(3,815)	94,304	142,395
Exchange differences on translation of foreign subsidiaries	–	–	–	(179)	–	(179)
Issue of new shares	112,291	–	–	–	–	112,291
Profit for the year	–	–	–	–	23,943	23,943
At 31 December 2000	193,739	31,350	(60,892)	(3,994)	118,247	278,450
At 1 January 2001	**193,739**	**31,350**	**(60,892)**	**(3,994)**	**118,247**	**278,450**
Exchange differences on translation of foreign subsidiaries	**–**	**–**	**–**	**(559)**	**–**	**(559)**
Issue of new shares	**95,332**	**–**	**–**	**–**	**–**	**95,332**
Impairment loss on goodwill included in capital reserve	**–**	**–**	**59,998**	**–**	**–**	**59,998**
Profit for the year	**–**	**–**	**–**	**–**	**38,104**	**38,104**
At 31 December 2001	**289,071**	**31,350**	**(894)**	**(4,553)**	**156,351**	**471,325**

29. RESERVES (cont'd)

(b) The Company (cont'd)

	Share premium	Contributed surplus	Revaluation reserve	Accumulated losses	Total
	$'000	*$'000*	*$'000*	*$'000*	*$'000*
At 1 January 2000	81,448	115,615	3,456	–	200,519
Issue of new shares	112,291	–	–	–	112,291
Revaluation deficit *(note 11(e))*	–	–	(3,000)	–	(3,000)
Loss for the year	–	–	–	(14,897)	(14,897)
At 31 December 2000	193,739	115,615	456	(14,897)	294,913
At 1 January 2001	**193,739**	**115,615**	**456**	**(14,897)**	**294,913**
Issue of new shares	**95,332**	**–**	**–**	**–**	**95,332**
Reversal of surplus on revaluation upon disposal	**–**	**–**	**(456)**	**–**	**(456)**
Loss for the year	**–**	**–**	**–**	**(7,994)**	**(7,994)**
At 31 December 2001	**289,071**	**115,615**	**–**	**(22,891)**	**381,795**

The contributed surplus represents the difference between the nominal value of the share capital issued by the Company and the aggregate of the share capital and the share premium of the subsidiaries acquired pursuant to the Group reorganisation in 1995.

According to the Companies Act 1981 of Bermuda (as amended), the Company may make distributions to its shareholders out of the contributed surplus.

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

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

	2001 $'000	2000 $'000
Profit from operations	**51,582**	30,773
Interest income	**(7,352)**	(3,064)
(Surplus)/deficit on revaluation of investment properties	**(3,514)**	695
Depreciation	**1,360**	373
Loss on disposal of property management business	**1,008**	–
Loss on disposal of investment properties	**3,318**	37
Unrealised gain on investment in securities	**–**	(4,929)
Increase in amounts due from associates	**(30,412)**	–
Decrease/(increase) in investments	**13,209**	(8,280)
Decrease/(increase) in properties held for resale	**24,000**	(24,000)
Decrease/(increase) in accounts receivable, other receivables and prepayments	**48,016**	(41,462)
Increase in amount due from fellow subsidiary	**(6,808)**	(1,635)
Increase/(decrease) in accounts payable, other payables and accruals	**3,612**	(1,263)
(Decrease)/increase in amount due to related party	**(1,800)**	1,800
Increase in amount due to minority shareholder	**1,325**	–
Exchange differences	**(321)**	(179)
Net cash inflow/(outflow) from operating activities	**97,223**	(51,134)

30. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (cont'd)

(b) Analysis of changes in financing during the year

	Minority interests $'000	Share capital $'000	Share premium $'000	Bank loans $'000	Finance lease obligations $'000
At 1 January 2000	63	15,720	81,448	43,850	–
Share of loss	(581)	–	–	–	–
Cash flows from financing	9,000	3,974	112,291	4,768	(222)
Inception of finance lease contract	–	–	–	–	1,330
Share of exchange reserve	(164)	–	–	–	–
At 31 December 2000	8,318	19,694	193,739	48,618	1,108
At 1 January 2001	**8,318**	**19,694**	**193,739**	**48,618**	**1,108**
Share of profit	**7,197**	**–**	**–**	**–**	**–**
Cash flows from financing	**–**	**3,339**	**95,332**	**(1,194)**	**(938)**
Inception of finance lease contract	**–**	**–**	**–**	**–**	**468**
Acquisition of minority interests	**(296)**	**–**	**–**	**–**	**–**
Share of exchange reserve	**153**	**–**	**–**	**–**	**–**
At 31 December 2001	**15,372**	**23,033**	**289,071**	**47,424**	**638**

31. RELATED PARTY TRANSACTIONS

(a) In December 1999, a subsidiary of the Company entered into a property management contract with Shanghai Taigu Apartment Service & Management Company Limited ("Taigu"), a fellow subsidiary of the Company, for a term of two years commencing 1 January 2000. Pursuant to the contract, the Group appointed Taigu as its agent in Shanghai, the PRC, for the leasing of the Group's investment properties in Shanghai. In this connection, a service fee of RMB8,000 (equivalent to $7,500) per month is payable to Taigu. During the year, Taigu received sales proceeds, rental income and net deposits of $6,296,000 (2000: Nil), $3,225,000 (2000: $4,021,000) and $Nil (2000: $7,000) respectively on behalf of the Group. In return, the Group paid service fees totalling $90,000 (2000: $90,000) to Taigu.

31. RELATED PARTY TRANSACTIONS (cont'd)

(b) On 31 December 2001, China Wan Tai Group Limited, the ultimate holding company, provided an irrevocable guarantee to the Group in respect of certain investment deposits and amount due from fellow subsidiary of $96,087,000 and $11,652,000, respectively whereby China Wan Tai Group Limited agrees to reimburse any loss suffered by the Group, in the event that the Group is unable to recover the amounts from relevant parties on or before the agreed dates.

(c) During the year, the Company paid management fee of $Nil (2000: $900,000) to the ultimate holding company for the provision of certain management services. No balance was outstanding at 31 December 2001 (2000: $Nil).

(d) During the year, a director, Mr Qian Yong Wei ("Mr Qian") deposited $Nil (2000: $1,800,000) with the Company. The amount deposited in 2000 was repaid by the Company during the year.

(e) Mr Qian guaranteed a bank loan of $Nil (2000: $18,876,000) granted to the Group. The bank loan granted in 1998 was repaid during the year.

(f) On 20 February 2001, the Group entered into a conditional agreement with China Wan Tai Group Limited and Shanghai Wan Tai Property Development Limited to acquire a 98% equity interest in Taigu at a consideration of $156,028,531. The agreement was subsequently terminated on 28 September 2001.

(g) During the year, the Group entered into an agreement with an independent third party to acquire its investment deposit in a property under development at a consideration of HK$59,100,000. The property under development is being developed by a company controlled by Mr Qian. Certain units of the property will be transferred to the Group upon completion of the construction at an agreed price.

32. CAPITAL AND OTHER COMMITMENTS

(a) Capital commitments outstanding at 31 December not provided for in the financial statements were as follows:

	The Group	
	2001	2000
	$'000	*$'000*
Contracted for	**186,581**	426
Authorised but not contracted for	**–**	26,178
	186,581	26,604

The capital commitments of $186,581,000 represent future capital expenditure in respect of the purchase of a piece of land in the PRC for property development. Pursuant to the agreement, the expenditure will be settled in 15 instalments.

32. CAPITAL AND OTHER COMMITMENTS (cont'd)

(b) Other commitments

In December 2001, an associate of the Group entered into a conditional agreement with a company to acquire a 29.9% equity interest in Pearl Oriental Holdings Limited ("Pearl Oriental"), a company listed on the SEHK for a consideration of $112,336,000, of which a deposit of $30,000,000 had been paid upon the signing of the agreement. Pursuant to the Group's equity percentage in the associate, the Group should contribute an amount of $55,000,000, of which an advance of $30,000,000 was made by the Group to the associate during the year. The transaction was complete in January 2002.

In December 2001, the Group entered into a conditional agreement with an independent third party to acquire a 30% equity interest in a company at a consideration of $50,000,000 which will establish a Sino-foreign cooperative joint venture with a PRC company to develop a property project in the PRC. A deposit of $18,870,000 was paid prior to the year end and the remaining balance of $31,130,000 was paid in March 2002.

(c) At 31 December 2001, the total future minimum lease payments under non-cancellable operating leases are payable as follows:

	The Group		The Company	
	2001	2000	**2001**	2000
	$'000	*$'000*	***$'000***	*$'000*
Within 1 year	**994**	1,402	**994**	1,402
After 1 year but within 5 years	**–**	970	**–**	970
	994	2,372	**994**	2,372

The Group and the Company lease a property under operating lease. The lease typically runs for an initial period of two years, with an option to renew the lease when all terms are renegotiated. None of the leases includes contingent rentals.

33. POST BALANCE SHEET EVENTS

On 2 January 2002, the Group entered into a loan agreement with an independent third party ("The borrower") to lend an unsecured loan of $42,500,000 to the borrower for six months at an interest rate of 7% per annum.

34. COMPARATIVE FIGURES

Certain comparative figures of other receivables and prepayments have been reclassified to conform with the current year's presentation.

35. ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 31 December 2001 to be China Wan Tai Group Limited, which was incorporated in Hong Kong.