

# Notes To The Financial Statements

---

31 December 2001

## 1. GENERAL

The Company is a public listed company incorporated in Bermuda on 13 May 1999 as an exempt company under the Company Act 1981 of Bermuda (as amended) and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The principal activities of the Group are property development and investment.

## 2. PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared in accordance with generally accepted accounting principles in Hong Kong and comply with Statements of Standard Accounting Practice ("SSAP") issued by the Hong Kong Society of Accountants, the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange. The financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties.

### a) Basis of consolidation

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

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances between group enterprises are eliminated on consolidation.

### b) Investments in subsidiaries

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

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

# Notes To The Financial Statements

---

31 December 2001

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### c) Investment in an associate

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

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, investment in an associate is stated at the Group's share of the net assets of the associate plus the premium paid on acquisition in so far as it has not already been written off/amortised/released to income, less any identified impairment loss.

### d) Goodwill

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

Goodwill arising on acquisitions on or after 1 January 2001 is capitalised and amortised on a straight line basis over 10 years.

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

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

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

# Notes To The Financial Statements

---

31 December 2001

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### d) **Goodwill** (Continued)

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

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

### e) **Revenue recognition**

Income from properties developed for sale is recognised on the execution of a legally binding sales agreement or when the relevant occupation permit or equivalent certificate is issued by the relevant authority, whichever is the later.

Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.

Management fee is recognised when services are provided.

Interest income is accrued on a time-proportion basis, by reference to the principal outstanding and at the interest rate applicable.

# Notes To The Financial Statements

---

31 December 2001

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### f) Property, plant and equipment

Property, plant and equipment is stated at cost less depreciation and accumulated impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its present working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is charged to the income statement 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 asset, the expenditure is capitalised as an additional cost of the asset.

Depreciation is charged so as to write off the cost of property, plant and equipment less residual value over their estimated useful lives, using the straight line method, on the following bases:

Leasehold land	Over the term of the lease
Land use rights	Over the term of the lease
Buildings	Over the shorter of the term of the lease, or 40 years
Furniture, fixtures and office equipment	20%
Leasehold improvements	20% – 33 $\frac{1}{3}$ %
Motor vehicles	20%

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

### g) Investment properties

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

Investment properties are stated at their open market value based on independent professional valuations at each balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement.

# Notes To The Financial Statements

---

31 December 2001

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### g) **Investment properties** (Continued)

On disposal of investment properties, the balance on the investment property revaluation reserve attributable to the property disposed of is dealt with in the income statement.

No depreciation is provided on investment properties which are held on leases with an unexpired term of more than 20 years.

### h) **Assets under leases**

#### *i) Hire purchase contracts*

Leases that substantially transfer to the Group all the risks and rewards of ownership of assets, other than legal title, are accounted for as hire purchase contracts. At the inception of hire purchase contracts, the fair value of the asset is recorded together with the obligation, excluding the interest element, to pay future rentals.

Payment to the lessor are treated as consisting of capital and interest elements. Finance charges implicit in the hire purchase payments are charged to the income statement in proportion to the capital balances outstanding.

Assets held under hire purchase contracts are depreciated on the same basis as set out in note 2(f) above.

#### *ii) Operating leases*

Leases where substantially all the risks and rewards of ownership of the leased assets remain with the lessors are accounted for as operating leases. Rentals receivables and payables under operating leases are accounted for in the income statement on a straight-line basis over the periods of the relevant leases.

# Notes To The Financial Statements

---

31 December 2001

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### i) **Investment in a property development joint venture**

Investment in a property development joint venture represents the consideration paid to a third party for acquiring the 5% interest of the income arising from a property development project which is operated by the Group. The investment is stated at cost, less provision for impairment in value, if necessary and the cost is amortised over the estimated economic life of the property development project.

### j) **Properties under development for sale**

Properties under development for sale are stated at development cost less provision for foreseeable losses, if any. Cost includes professional fees and borrowing costs capitalised in accordance with the Group's accounting policy.

### k) **Properties held for sale**

Properties held for sale are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the unsold properties. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing and selling.

### l) **Impairment loss**

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

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

# Notes To The Financial Statements

---

31 December 2001

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### m) Foreign currencies

Transactions in currencies other than Hong Kong Dollars are initially recorded at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of the Group's overseas subsidiaries and associate are translated at the exchange rates ruling on the balance sheet date. Exchange differences arising, if any, are included in the translation reserve in the shareholders' equity and are recognised as income or expenses in the period in which the subsidiary or associate is disposed of.

### n) Taxation

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

### o) Borrowing costs

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

All other borrowing costs are expensed in the period in which they are incurred.

# Notes To The Financial Statements

---

31 December 2001

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### p) Cash equivalents

Cash equivalents represent short-term highly liquid investment 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.

### q) 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.

### r) Contingent liabilities and assets

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that outflow is probable, they will then be recognised as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

Contingent assets are not recognised but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.



# Notes To The Financial Statements

31 December 2001

## 2. PRINCIPAL ACCOUNTING POLICIES (Continued)

### s) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events and it is probable that an outflow of economic benefits which can be reasonably estimated will be required to settle such obligation. Adoption of this accounting policy has no effect on the financial statements of the Group.

## 3. TURNOVER

Turnover represents the aggregate of net amounts received and receivable for developed properties sold by the Group to outside customers and property rental income during the year, and is analysed as follows:

	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	HK\$'000
Sales of developed properties	<b>78,675</b>	46,976
Property rental	<b>4,190</b>	4,208
	<b>82,865</b>	51,184

No activity analysis and geographical analysis are presented for the year as substantially all the Group's turnover and contribution to results were derived from the business of property in the People's Republic of China (the "PRC").

## 4. OTHER REVENUE

Included in other revenue are amounts for project management fees of HK\$9,730,000 (2000: HK\$ nil) and interest income of HK\$169,000 (2000: HK\$751,000).

# Notes To The Financial Statements

31 December 2001

## 5. (LOSS)/PROFIT FROM OPERATIONS

(Loss)/profit from operations is stated at after crediting and charging the following:

	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
<b>Crediting</b>		
Gross rents from investment properties (Note)	<b>4,190</b>	4,208
Net foreign exchange gain	<b>847</b>	1,289
<b>Charging</b>		
Amortisation of goodwill	<b>1,396</b>	–
Auditors' remuneration	<b>238</b>	280
Cost of inventories sold	<b>51,699</b>	21,569
Depreciation		
– owned assets	<b>521</b>	646
– asset held under a hire purchase contract	<b>83</b>	185
Operating lease rental in respect of rented premises	<b>796</b>	623
Provision for doubtful debts	–	2,274
Provision for diminution in value of properties held for sale	<b>115</b>	495
Provision for impairment loss of investment properties	<b>1,060</b>	–
Staff costs	<b>3,703</b>	3,624

*Note:* The outgoings related to the gross rents from investment properties for each of the two years ended 31 December 2001 are negligible.

# Notes To The Financial Statements

31 December 2001

## 6. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on		
Bank loans, overdrafts and other borrowings wholly repayable		
– within five years	4,972	5,378
– over five years	1,198	1,076
A hire purchase contract	41	54
Other borrowing costs	–	680
	<b>6,211</b>	7,188
Less: Amounts capitalised in properties under development for sale	<b>(2,563)</b>	(2,785)
	<b>3,648</b>	4,403

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2001 HK\$'000	2000 HK\$'000
Directors' emoluments:		
Fees		
Executive directors	–	–
Independent non-executive directors	–	–
	–	–
Other emoluments (executive directors):		
Salaries	1,166	1,325
Other benefits	217	225
Provident fund contributions	35	3
	<b>1,418</b>	1,553
	<b>1,418</b>	1,553

# Notes To The Financial Statements

31 December 2001

## 7. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (Continued)

The other benefits under other emoluments represent the estimated monetary value of premises provided rent free to certain directors.

The emoluments were paid to the directors as follows:

	Number of directors	
	2001	2000
Nil to HK\$1,000,000	7	8

### Employees' emoluments

During the year, the five highest paid individuals included three (2000: four) directors, details of whose emoluments are set out above. The emoluments of the remaining two (2000: one) highest paid individual were as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	577	440
Provident fund contributions	16	1
	<b>593</b>	<b>441</b>

## 8. INCOME TAX EXPENSE

	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax	–	–
Income tax in other regions of the PRC		
– Enterprises	–	325
– Property development projects	137	444
	<b>137</b>	<b>769</b>

# Notes To The Financial Statements

---

31 December 2001

## **8. INCOME TAX EXPENSE** (Continued)

No provision for Hong Kong Profits Tax has been made in the financial statements as the Group's income neither arises in, nor is derived from, Hong Kong.

PRC income tax for enterprises is calculated at 15% of the estimated assessable profit for the prior year.

PRC income tax for property development projects arose from the sales of developed properties in the PRC. Pursuant to several tax co-ordination agreements signed between the Group and a co-operative partner, the co-operative partner is primarily responsible for income tax arising from the relevant projects. The Group is required to pay to the co-operative partner its share of income tax arising from the projects at an amount equal to 1.5% of the gross amounts received and receivable for developed properties sold and the co-operative partner assumed the responsibilities to discharge all income tax arising from the projects to the relevant governmental authorities.

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

## **9. NET(LOSS)/PROFIT FOR THE YEAR**

Of the Group's net (loss)/profit for the year, a loss of HK\$377,000 (2000: HK\$316,000) has been dealt with in the financial statements of the Company.

## **10. (LOSS)/EARNINGS PER SHARE**

The calculation of loss per share is based on the loss for the year of HK\$3,818,000 (2000: profit of HK\$11,176,000) and on the weighted average number of 1,384,390,411 (2000: 1,155,942,623) shares issued during the year.

No diluted earnings per share has been presented as the exercise of the Company's options does not result in any dilutive effect.

# Notes To The Financial Statements

---

31 December 2001

## 11. INVESTMENT PROPERTIES

	<b>The Group</b> <b>HK\$'000</b>
At 1 January 2001	31,682
Deficit on revaluation	(3,005)
Exchange adjustments	22
	<hr/>
At 31 December 2001	28,699

Investment properties were revalued at 31 December 2001 by Sallmanns (Far East) Limited, an independent professional valuer, on an open market value basis. This valuation gave rise to a revaluation deficit of HK\$3,005,000 (2000: HK\$1,128,000) of which HK\$1,945,000 (2000: HK\$1,128,000) and HK\$1,060,000 (2000: HK\$nil) have been charged to the investment property revaluation reserve and the consolidated income statement respectively.

Investment properties having a carrying amount of HK\$299,000 (2000: HK\$382,000) are in the process of obtaining the land and realty title certificates.

The Group has pledged investment properties having a carrying amount of HK\$26,226,000 (2000: HK\$28,858,000) to secure banking facilities granted to the Group.

All the Group's investment properties are situated outside Hong Kong and are held on long leases.

# Notes To The Financial Statements

31 December 2001

## 12. PROPERTY, PLANT AND EQUIPMENT

### The Group

	<b>Land and buildings</b>	<b>Furniture, fixtures and office equipment</b>	<b>Leasehold improvements</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1/1/2001	7,693	2,795	559	2,083	13,130
Additions	–	143	–	121	264
Disposal	–	(49)	–	–	(49)
Exchange adjustments	5	7	3	6	21
At 31/12/2001	7,698	2,896	562	2,210	13,366
<b>Accumulated depreciation</b>					
At 1/1/2001	2,106	2,195	177	1,563	6,041
Charge for the year	46	246	123	189	604
Eliminated on disposal	–	(31)	–	–	(31)
Exchange adjustments	1	3	1	3	8
At 31/12/2001	2,153	2,413	301	1,755	6,622
<b>Net book value</b>					
At 31/12/2001	5,545	483	261	455	6,744
At 31/12/2000	5,587	600	382	520	7,089

# Notes To The Financial Statements

31 December 2001

## 12. PROPERTY, PLANT AND EQUIPMENT (Continued)

The net book value of land and buildings shown above comprises:

	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Land and buildings situated in Hong Kong and held on long leases	<b>5,112</b>	5,150
Land and buildings situated outside Hong Kong and held on long leases	<b>433</b>	437
	<b>5,545</b>	5,587

At 31 December 2001, the carrying amount of the motor vehicles amounted to HK\$nil (2000: HK\$172,000) held by the Group under a hire purchase contract. The corresponding obligation has been repaid in full during the year.

The Group has pledged land and buildings having a carrying amount of HK\$5,112,000 (2000: HK\$5,150,000) to secure banking facilities granted to the Group.

## 13. INVESTMENTS IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares, at cost	<b>159,056</b>	159,056

The carrying value of the unlisted shares is based on the book values of the underlying net assets of the subsidiaries attributable on the Group as at the date on which the Company became the ultimate holding company of the Group under the group reorganisation in 1999.



# Notes To The Financial Statements

31 December 2001

## 13. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the Company's subsidiaries at 31 December 2001 are as follows:

Name of subsidiary	Place/ country of incorporation (or registration)/ operation	Proportion of nominal value of issued capital/registered capital held by the Company		Issued and fully paid share capital/ registered capital	Principal activities
		Directly	Indirectly		
Grand Field Group Holdings (BVI) Limited	British Virgin Islands/ Hong Kong	100%	–	US\$1	Investment holding
Grand Field Group Investments (BVI) Limited	British Virgin Islands/ Hong Kong	100%	–	US\$1	Investment holding
Grand Field Group Limited	Hong Kong	–	100%	Ordinary shares of HK\$200 Non-voting deferred shares of HK\$200	Investment holding and property development
Grand Field Property Development (Shenzhen) Co. Ltd.	PRC	–	100%	RMB19,232,100	Property development
Ka Fong Industrial Company, Limited	Hong Kong/ PRC	–	100%	Ordinary shares of HK\$200 Non-voting deferred shares of HK\$200,000	Property development
Kwan Cheung Holdings Limited	Hong Kong/ PRC	–	100%	Ordinary shares of HK\$200 Non-voting deferred shares of HK\$200	Property development

# Notes To The Financial Statements

31 December 2001

## 13. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place/ country of incorporation (or registration)/ operation	Proportion of nominal value of issued capital/registered capital held by the Company		Issued and fully paid share capital/ registered capital	Principal activities
		Directly	Indirectly		
Shing Fat Hong Limited	Hong Kong/ PRC	–	100%	Ordinary shares of HK\$4 Non-voting deferred shares of HK\$2	Property development
Chintex Oil And Gas Company Limited	Hong Kong	–	100%	Ordinary shares of HK\$103,700,000	Investment holding
Chinese Medicine And Technologies Company Limited	Hong Kong	–	100%	Ordinary shares of HK\$2	Inactive
Chintex Properties Limited	Hong Kong	–	100%	Ordinary shares of HK\$8,000,000	Inactive
Grand Field New Energy Company Limited	Hong Kong	–	100%	Ordinary shares of HK\$2	Property holding
Rockson Limited	Hong Kong	–	100%	Ordinary shares of HK\$3,600,000	Inactive

*Notes:*

One of the subsidiaries, Shenzhen Kwan Cheung Property Co. Ltd. , was deregistered during the year.

# Notes To The Financial Statements

31 December 2001

## 14. INVESTMENT IN AN ASSOCIATE

	<b>The Group</b>	
	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Unlisted shares at cost	<b>28,302</b>	–
Share of net assets	<b>11</b>	–
Premium on acquisition of an associate	<b>(27,927)</b>	–
	<b>386</b>	–
Due from an associate	<b>1,726</b>	–
	<b>2,112</b>	–

The amount is unsecured, interest free and not repayable within one year.

Details of the Group's associate as at 31 December 2001 are as follows:

Name of entity	Form of business structure	Country of registration	Principal country of operation	Registered capital	Proportion of nominal value of registered capital held by the Group %	Nature of business
Bengbu International Travel Service Co. Limited (the "Travel Agent")	Incorporated	PRC	PRC	RMB1,500,000	26.5	Travel agent

The financial statements of the Travel Agent are not audited by Charles Chan, Ip & Fung CPA Ltd.

The premium on acquisition of associate arose on the acquisition of the Travel Agent in 2001. Amortisation charged in the current year amounting to HK\$1,396,000 has been included in the amount reported as share of profits of the associate in the consolidated income statement.

# Notes To The Financial Statements

31 December 2001

## 14. INVESTMENT IN AN ASSOCIATE (Continued)

The following details have been extracted from the audited financial statements of the Travel Agent:

### Results for the year

	2001 HK\$'000	2000 HK\$'000
Turnover	3,786	–
Profit from ordinary activities before taxation	61	–
Profit from ordinary activities before taxation attributable to the Group	16	–

### Financial position

	2001 HK\$'000	2000 HK\$'000
Non-current assets	3,214	–
Current assets	3,489	–
Current liabilities	(5,246)	–
Net assets	1,457	–
Net assets attributable to the Group	386	–

# Notes To The Financial Statements

31 December 2001

## 15. LOANS RECEIVABLE

	The Group	
	2001 HK\$'000	2000 HK\$'000
Total loans receivable, secured	35,808	48,767
Less: Portion receivable within one year included under current assets	10,975	28,619
Portion receivable after one year	24,833	20,148

Loans receivable represent interest-free instalments payable by the buyers of the developed properties of the Group.

## 16. INVESTMENT IN A PROPERTY DEVELOPMENT JOINT VENTURE

	The Group HK\$'000
<b>Cost</b>	
At 1 January 2001 and 31 December 2001	21,600
<b>Amortisation</b>	
At 1 January 2001	1,080
Charge for the year	2,160
At 31 December 2001	3,240
<b>Net book value</b>	
At 31 December 2001	18,360
At 31 December 2000	20,520

## 17. PLEDGED BANK DEPOSITS

Bank deposits of HK\$50,711,000 (2000: HK\$12,279,000) have been pledged as security for mortgage loans made available from banks to the buyers of the Group's properties and for general banking facilities granted to the Group.

# Notes To The Financial Statements

---

31 December 2001

## **18. PROPERTIES UNDER DEVELOPMENT FOR SALE**

Pursuant to the contracts for development of various projects in the PRC having a net book value of HK\$13,004,000 (2000: HK\$11,859,000) entered into between the Group and a co-operative partner, the co-operative partner is responsible for making available the project sites while the Group is responsible for, at its own cost, the construction of the properties. The certificates for state-owned land use rights granted for the land were registered in the name of the co-operative partner. Pursuant to those contracts for development, the Group is entitled to apply for land and realty title certificates for each separate unit in the name of the Group upon completion of development.

Included in properties under development for sale is net interest capitalised of HK\$11,196,000 (2000: HK\$9,614,000) at a capitalisation rate of 7.8% (2000: 7.8%).

## **19. PROPERTIES HELD FOR SALE**

At 31 December 2001, the properties held for sale were situated outside Hong Kong and were held on long leases.

Land and title certificates for properties held for sale of HK\$3,365,000 (2000: HK\$3,550,000) were under application.

The certificates for state-owned land use rights granted for the land on which the aforesaid properties situated were registered in the name of a co-operative partner. Upon completion of development, the respective certificates for state-owned land use rights are required to be deposited with the relevant authorities for custody in exchange for the issue of land and realty title certificates for each separate unit.

The Group has pledged properties held for sale having a net book value of HK\$34,055,000 (2000: HK\$43,588,000) to secure banking facilities granted to the Group.

At the balance sheet date, all properties held for sale were carried at cost. In 2000, properties held for sale amounted to HK\$3,946,000 were carried at net realisable value.

# Notes To The Financial Statements

31 December 2001

## 20. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in creditors, deposits and accrued charges are trade creditors with the following ageing analysis.

	2001 HK\$'000	2000 HK\$'000
Current to 90 days	19,366	1,681
91 to 180 days	–	–
181 to 360 days	4,672	–
Over 360 days	14,249	23,842
	<b>38,287</b>	<b>25,523</b>

## 21. DUE TO A DIRECTOR

The amount is unsecured, interest free and there is no fixed term of repayment.

## 22. INTEREST-BEARING BORROWINGS

	2001 HK\$'000	2000 HK\$'000
Bank overdrafts	1,808	958
Bank loans	125,988	53,720
Other loans	16,989	17,860
	<b>144,785</b>	<b>72,538</b>
Analysed as:		
Secured	144,785	54,678
Unsecured	–	17,860
	<b>144,785</b>	<b>72,538</b>

# Notes To The Financial Statements

31 December 2001

## 22. INTEREST-BEARING BORROWINGS (Continued)

The maturity of the above borrowings is as follows:

	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	HK\$'000
On demand or within one year	<b>130,031</b>	56,892
More than one year but not exceeding two years	<b>2,235</b>	2,214
More than two years but not exceeding five years	<b>6,705</b>	6,642
More than five years	<b>5,814</b>	6,790
	<b>144,785</b>	72,538
Less: Amount due within one year shown under current liabilities	<b>(130,031)</b>	(56,892)
Amount due after one year	<b>14,754</b>	15,646

## 23. OBLIGATIONS UNDER A HIRE PURCHASE CONTRACT

The maturity of obligations under a hire purchase contract was within one year at 31 December 2000 and the amount was fully repaid during the year.



# Notes To The Financial Statements

31 December 2001

## 24. ISSUED CAPITAL

	2001		2000	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised (ordinary shares of HK\$0.02 each)				
At 1 January	5,000,000	100,000	1,000,000	100,000
1 to 5 subdivision of shares	–	–	4,000,000	–
<b>At 31 December</b>	<b>5,000,000</b>	<b>100,000</b>	<b>5,000,000</b>	<b>100,000</b>
Issued and fully paid (ordinary shares of HK\$0.02 each)				
At 1 January	1,294,500	25,890	200,000	20,000
Exercise of share options	–	–	19,300	1,930
1 to 5 subdivision of shares	–	–	877,200	–
Placement of shares	170,000	3,400	198,000	3,960
<b>At 31 December</b>	<b>1,464,500</b>	<b>29,290</b>	<b>1,294,500</b>	<b>25,890</b>

During the year, no options were exercised to subscribe for any ordinary shares whereas in 2000, 19,300,000 were exercised to subscribe for 19,300,000 ordinary shares of HK\$0.1 each in the Company at a total consideration of HK\$17,601,000.

In June 2001, the Company placed and issued 170,000,000 (2000: 198,000,000) new ordinary shares of HK\$0.02 (2000: HK\$0.02) each at a price of HK\$0.16 (2000: HK\$0.2) per share.

## 25. SHARE OPTIONS

Pursuant to the Company's share option scheme which became effective on 4 August 1999, the board of directors of the Company may, at its discretion, grant options to eligible employees, including executive directors, of the Company or any of its subsidiaries to subscribe for shares in the Company at a price not less than the higher of 80% of the average of the closing prices of the shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of the grant of the options and the nominal value of the shares.

# Notes To The Financial Statements

31 December 2001

## 25. SHARE OPTIONS (Continued)

The maximum number of shares in respect of which options may be granted under the share option scheme may not exceed 10% of the issued share capital of the Company from time to time and the maximum number of shares in respect of which options may be granted to any one employee shall not exceed 25% of the maximum number of shares in respect of which options may be granted under the share option scheme.

The summary of movements in share options granted during the year to certain directors and employees of the Group under the share option scheme was as follows:

Date of grant	Exercise price	Exercise period	Number of share options		
			Outstanding at 1/1/2001	Granted during the year	Outstanding at 31/12/2001
25 January 2000	0.1824	25 January 2000 to 24 January 2003	3,500,000	–	3,500,000
16 August 2000	0.2002	16 August 2000 to 16 August 2003	19,800,000	–	19,800,000
29 October 2001	0.0839	1 November 2001 to 28 October 2004	–	17,000,000	17,000,000
			23,300,000	17,000,000	40,300,000

# Notes To The Financial Statements

31 December 2001

## 26. RESERVES

	Share premium account HK\$'000	Special reserve HK\$'000	Investment property revaluation reserve HK\$'000	Goodwill reserve HK\$'000	Translation reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
The Group							
At 1/1/2000	1,818	(2,215)	8,363	(9,171)	(3,844)	143,104	138,055
Shares issued at premium upon							
– exercise of share options	15,671	–	–	–	–	–	15,671
– placement of shares	35,640	–	–	–	–	–	35,640
Share issue expenses	(143)	–	–	–	–	–	(143)
Deficit on revaluation	–	–	(1,128)	–	–	–	(1,128)
Realised upon transfer of investment properties to properties held for sale	–	–	(1,568)	–	–	–	(1,568)
Translation of financial statements of overseas subsidiaries	–	–	–	–	6,045	–	6,045
Net profit for the year	–	–	–	–	–	11,176	11,176
At 31/12/2000	52,986	(2,215)	5,667	(9,171)	2,201	154,280	203,748
Shares issued at premium upon placement of shares	23,800	–	–	–	–	–	23,800
Share issue expenses	(614)	–	–	–	–	–	(614)
Deficit on revaluation	–	–	(1,945)	–	–	–	(1,945)
Realised upon transfer of investment properties to properties held for sale	–	–	(20)	–	–	–	(20)
Goodwill arising on acquisition of an associate less amortisation	–	–	–	(26,531)	–	–	(26,531)
Share of translation reserve of an associate	–	–	–	–	1	–	1
Translation of financial statements of overseas subsidiaries	–	–	–	–	1,573	–	1,573
Net loss for the year	–	–	–	–	–	(3,818)	(3,818)
At 31/12/2001	76,172	(2,215)	3,702	(35,702)	3,775	150,462	196,194

# Notes To The Financial Statements

31 December 2001

## 26. RESERVES (Continued)

	Share premium account HK\$'000	Contributed surplus HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
<b>The Company</b>				
At 1/1/2000	1,818	140,281	(104)	141,995
Share issued at premium upon				
– exercise of share options	15,671	–	–	15,671
– placement of shares	35,640	–	–	35,640
Share issue expenses	(143)	–	–	(143)
Net loss for the year	–	–	(316)	(316)
At 31/12/2000	52,986	140,281	(420)	192,847
Share issued at premium upon				
placement of shares	23,800	–	–	23,800
Share issue expenses	(614)	–	–	(614)
Net loss for the year	–	–	(377)	(377)
At 31/12/2001	76,172	140,281	(797)	215,656

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- a) it is, or would after the payment be, unable to pay its liabilities as they become due; or

# Notes To The Financial Statements

31 December 2001

## 26. RESERVES (Continued)

- b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders are as follows:

	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
Contributed surplus	<b>140,281</b>	140,281
Accumulated losses	<b>(797)</b>	(420)
	<b>139,484</b>	139,861

## 27. DEFERRED TAXATION

A deferred tax asset of the Group amounting to HK\$561,000 (2000: HK\$561,000) has not been recognised in the financial statements in respect of tax losses available to offset future profits as it is not certain that the tax losses will be utilised in the foreseeable future.

The Group does not have any intention to dispose of the investment properties in the PRC in the foreseeable future. Accordingly, no deferred taxation has been provided on the revaluation surplus of these properties.

The Company and the Group did not have any significant timing differences arising during the year or at the balance sheet date.

# Notes To The Financial Statements

31 December 2001

## 28. RECONCILIATION OF (LOSS)/PROFIT BEFORE TAXATION TO NET CASH INFLOW/ (OUTFLOW) FROM OPERATING ACTIVITIES

	<b>2001</b>	<b>2000</b>
	<b>HK\$'000</b>	HK\$'000
(Loss)/Profit before taxation	<b>(3,681)</b>	11,945
Interest income	<b>(169)</b>	(751)
Interest expenses	<b>3,607</b>	3,669
Interest on obligations under a hire purchase contract	<b>41</b>	54
Share of results of an associate	<b>(16)</b>	–
Amortisation of goodwill	<b>1,396</b>	–
Depreciation	<b>604</b>	831
Gain on disposal of property, plant and equipment	<b>(18)</b>	–
Provision for doubtful debts	<b>8,700</b>	2,274
Provision for diminution in value of properties held for sale	<b>115</b>	495
Provision for impairment loss of investment properties	<b>1,060</b>	–
Amortisation on investment in a property development joint venture	<b>2,160</b>	1,080
Decrease/(increase) in properties under development for sale	<b>6,702</b>	(22,904)
Decrease in properties held for sale	<b>9,778</b>	20,371
Decrease/(increase) in loans receivable	<b>4,259</b>	(8,000)
Increase in other debtors, deposits and prepayments	<b>(15,553)</b>	(3,549)
Increase in creditors, deposits and accrued charges	<b>12,188</b>	2,934
Decrease in bills payable	<b>–</b>	(13,196)
Increase in deposits received for sale of developed properties	<b>14,884</b>	4,490
<b>Net cash inflow/(outflow) from operating activities</b>	<b>46,057</b>	(257)

# Notes To The Financial Statements

31 December 2001

## 29. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital (including premium) HK\$'000	Bank and other loans HK\$'000	Obligations under a hire purchase contract HK\$'000	Due to a director HK\$'000	Due to related parties HK\$'000	Due to a minority shareholder of a subsidiary HK\$'000
At 1/1/2000	21,818	66,204	315	25,692	27,815	3,199
Issue of shares upon						
– exercise of share options	17,601	–	–	–	–	–
– placement of shares	39,600	–	–	–	–	–
Expenses incurred in connection with issue of shares	(143)	–	–	–	–	–
Repayment during the year	–	(15,362)	(180)	(13,850)	(28,987)	–
Raised during the year	–	17,860	–	–	–	2,009
Exchange adjustments	–	2,878	–	1,815	1,172	49
At 31/12/2000	78,876	71,580	135	13,657	–	5,257
Issue of shares upon placement of shares	27,200	–	–	–	–	–
Expenses incurred in connection with issue of shares	(614)	–	–	–	–	–
Repayment during the year	–	–	(135)	–	–	(5,257)
Raised during the year	–	71,397	–	(661)	–	–
At 31/12/2001	105,462	142,977	–	12,996	–	–

# Notes To The Financial Statements

31 December 2001

## 30. MAJOR NON-CASH TRANSACTION

In 2000, the Group entered into agreement to acquire the investment in a property development joint venture at a consideration of HK\$21,600,000 which was satisfied by the issue of 108,000,000 shares of the Company of HK\$0.02 each.

## 31. CONTINGENT LIABILITIES

At the balance sheet date, the Group had contingent liabilities in respect of guarantees given to banks in relation to mortgage loans made available to the buyers of the developed properties of the Group amounting to approximately HK\$1,432,000 (2000: HK\$2,467,000).

## 32. CAPITAL COMMITMENTS

Capital expenditure in respect of property development projects:

	<b>The Group</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
Contracted for but not provided in the financial statements	<b>45,329</b>	87,902
Authorised but not contracted for	<b>8,177</b>	10,618
	<b>53,506</b>	98,520

## 33. LONG SERVICE PAYMENTS

At 31 December 2001, the Group had a number of employees who had completed the required number of years of service under Hong Kong's Employment Ordinance (the "Ordinance") to be eligible for long service payments on termination of their employment. The Group is only liable to make such payments if the termination of employment meets the circumstances which are specified in the Ordinance. Had the employment of all eligible employees been terminated on 31 December 2001 under the circumstances specified by the Ordinance, the maximum potential exposure would have been approximately HK\$679,000 (2000: HK\$621,000). No provision has been made in the financial statements in respect of such long service payments.



# Notes To The Financial Statements

31 December 2001

## 34. OPERATING LEASE COMMITMENTS

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

	The Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	1,044	990
In the second to fifth year inclusive	483	1,032
	<u>1,527</u>	<u>2,022</u>

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

	The Group	
	2001 HK\$'000	2000 HK\$'000
Within one year	4,152	3,768
In the second to fifth year inclusive	2,689	5,132
	<u>6,841</u>	<u>8,900</u>

# Notes To The Financial Statements

31 December 2001

## 35. RETIREMENT BENEFITS SCHEME

The Group operates a mandatory provident fund scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees.

The retirement benefits cost charged to the income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

## 36. LITIGATION UNDER PROGRESS

One of the subsidiaries of the Group (the “subsidiary”) was a defendant in a lawsuit brought by contractor during 2001 claiming the payment of approximately HK\$2,098,000 together with interests relating to trade debts. The subsidiary appealed to contest the claim strongly and, while the final outcome of the proceedings is uncertain, it is the management’s opinion that the ultimate liability, if any, will not have a material impact upon the financial position of the subsidiary and the Group.

## 37. RELATED PARTY TRANSACTIONS

During the year, the Group had the following related party transactions which were carried out in the normal course of its business:

Name of related parties	Nature of related party relationship	Nature of transactions	Amount received	
			2001	2000
			HK\$'000	HK\$'000
International Travel Service Holdings Limited	Related company	Sub-rental income	(49)	–
Hong Kong Technology (China) Company Limited	Related company	Sub-rental income	(287)	–

# Notes To The Financial Statements

---

31 December 2001

## **38. POST BALANCE SHEET EVENT**

On 25 February 2002, the Group proposed to make a bonus issue of warrants to the shareholders of the Company whose names appeared on the Company's register of members as at 14 March 2002 (the "record date") other than the shareholders of the Company whose addresses appearing on the Company's register of members were in places outside Hong Kong as at the record date ("qualifying shareholders"). Each qualifying shareholder has been given one warrant for every five existing shares held at the record date. The warrants will entitle the holders thereof to subscribe for new shares at the initial subscription price of HK\$0.435 per new share (subject to adjustment), exercisable only during the period from 14 September 2004 to 13 March 2005 (both days inclusive). The total subscription price is approximately HK\$150.7 million.

## **39. COMPARATIVE FIGURES**

With the adoption of the revised SSAP 14 "Leases", the presentation in the current year's financial statements has been modified in order to conform to the requirements of this standard.