

for the year ended 31st December, 2001

1. GENERAL

The Company is a listed public limited company incorporated in the Hong Kong Special Administrative Region (“Hong Kong”). Its ultimate holding company is Allied Group Limited (“Allied Group”), a listed public limited company which is also incorporated in Hong Kong.

In May 2001, the Company, through a wholly-owned subsidiary, acquired additional shares in Sun Hung Kai & Co. Limited (“Sun Hung Kai”), resulting in its beneficial interest in the share capital of Sun Hung Kai exceeding 50%. Accordingly, Sun Hung Kai has been reclassified as a subsidiary.

Throughout 2000 and up to April 2001, Sun Hung Kai was recognised as an associate and was accounted for in the consolidated financial statements using the equity method of accounting. Subsequent to April 2001, the results, assets and liabilities of Sun Hung Kai are consolidated in the consolidated financial statements as a subsidiary in accordance with the Group’s accounting policies.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries, associates and jointly controlled entities at 31st December, 2001 are set out in notes 46, 47 and 48 respectively.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, the following new and revised Statements of Standard Accounting Practice (“SSAP”s) issued by the Hong Kong Society of Accountants.

SSAP 9 (Revised)	:	Events after the balance sheet date
SSAP 10 (Revised)	:	Accounting for investments in associates
SSAP 14 (Revised)	:	Leases
SSAP 17 (Revised)	:	Property, plant and equipment
SSAP 21 (Revised)	:	Accounting for interests in joint ventures
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 29	:	Intangible assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

Adoption of these SSAPs has led to a number of changes in the Group’s accounting policies. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts and disclosures for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these SSAPs has resulted in the following major changes to the Group’s accounting policies that have affected the reporting for the current and prior years.

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2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (CONT'D)

Goodwill and negative goodwill

In adopting SSAP 30, the Group has elected not to restate goodwill/capital reserve previously eliminated against/credited to reserves. Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life of five years. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from non-current assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted. The revised accounting policy is set out in note 3 accordingly.

Leases

The adoption of SSAP 14 (Revised) has not had any material effect on the results for the current or prior years. Disclosures for all of the Group's leasing arrangements however have been modified so as to comply with the requirement of SSAP 14 (Revised).

Interest in jointly controlled entities

During the year, the Group's interest in Allied Kajima Limited ("Allied Kajima") has been reclassified as an interest in a jointly controlled entity instead of interest in an associate as in the past, following a review to comply with revised accounting standards. Prior year amounts have been reclassified in order to reflect a consistent presentation.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investments in securities. The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

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

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Goodwill and negative goodwill (capital reserve)

Goodwill and negative goodwill (capital reserve) arising on consolidation represents the excess or shortfall of the purchase consideration over the fair value of the Group's share of the separable net assets at the date of acquisition of subsidiaries, associates or jointly controlled entities.

Goodwill and capital reserve arising on acquisitions prior to 1st January, 2001 continue to be held in reserves. Goodwill will be charged to the income statement at the time of disposal of the relevant subsidiary, associate or jointly controlled entity, or at such time as the goodwill is determined to be impaired. Capital reserve has been allocated against the non-monetary assets of the subsidiaries, associates or jointly controlled entities acquired and is realised in accordance with the realisation of those underlying assets. Where it has not been practicable to allocate the capital reserve to the underlying assets with any reasonable accuracy, the reserve is released on a systematic basis over a period not exceeding five years. On disposal of a subsidiary, an associate or a jointly controlled entity, any previously unrealised capital reserve is included in the calculation of the profit or loss on disposal.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life of five years. Goodwill arising on acquisition of an associate or a jointly controlled entity is included in the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of a subsidiary is presented separately on the balance sheet. Negative goodwill arising on acquisition of a subsidiary after 1st January, 2001 is presented as a deduction from non-current assets and will be released to the income statement based on an analysis of the circumstances from which the balance resulted. Negative goodwill arising on acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Currently, negative goodwill will be released to the income statement over a period of five years.

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 operations outside Hong Kong are translated at exchange rates ruling on the balance sheet date. Exchange differences arising, if any, are dealt with in reserves. On disposal of an operation outside Hong Kong, the balance of the translation reserve attributable to that operation is transferred to the income statement as part of the profit or loss on disposal of that operation.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Revenue recognition

When properties are developed for sale, income is recognised on the execution of a binding sales agreement or when the relevant building occupation permit is issued by the building authority, whichever is the later. Payments received from purchasers prior to this stage are recorded as deposits received, which are shown as a current liability. When the consideration is in the form of cash or cash equivalents, and the receipt of the consideration is deferred, the fair value of the consideration is determined by discounting all future receipts using an imputed rate of interest.

When completed properties are acquired for resale, revenue is recognised on the execution of a binding sales agreement.

Rental income, including rental invoiced in advance from properties under operating leases, is recognised on a straight-line basis over the terms of the relevant leases.

Sales of investments are recognised on a trade date or contract date basis, where appropriate.

Service income is recognised when services are provided.

Revenue from hotel operation is recognised when services are provided.

Brokerage income recognised in the accounts represents brokerage income accrued on all broking transactions traded on or before 31st December each year.

Interest income receivable from customers is recognised in the income statement on an accrual basis, except in the case of receivables which are overdue or deemed to be doubtful for which no interest is accrued in the income statement.

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

Dividend income from investments is recognised when the shareholders' right to receive payment has been established.

Profits or losses on trading in foreign currencies include both realised and unrealised gains less losses and charges less premium arising from position squaring and valuation at the balance sheet date of foreign currency positions on hand.

Operating leases

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the terms of the relevant leases.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impairment

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 impairment losses. 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, in which case the impairment loss is treated as a revaluation decrease.

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 revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Retirement benefit scheme contributions

The contributions payable to the Group's retirement benefit schemes and mandatory provident fund schemes are charged to the income statement.

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 under the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

Fixed assets

Fixed assets, other than investment properties and hotel properties, are stated at cost less depreciation and impairment loss. Land and buildings are stated at cost or valuation less depreciation and impairment loss. Expenditure on major inspections and overhauls of fixed assets is capitalised as a separate component of the relevant asset.

Advantage has been taken of the transitional relief provided by paragraph 80 of SSAP 17 (Revised) "Property, plant and equipment" from the requirement to make regular revaluations of the Group's land and buildings which had been carried at revalued amounts prior to 30th September, 1995, and accordingly no further revaluation of land and buildings is carried out. In previous years, surplus arising on the revaluation of these assets was credited to the revaluation reserve. Any future deficit in value of these assets will be dealt with as an expense to the extent that they exceed the balance, if any, on the revaluation reserve relating to a previous revaluation of the same asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fixed assets (Cont'd)

Depreciation is provided to write off the cost or valuation of fixed assets, other than investment properties and hotel properties which are held on leases with an unexpired term of more than 20 years, over their estimated useful lives, using the straight-line method, at the following rates per annum:

Land	Over the remaining terms of the leases
Buildings	2% to 3% or over the remaining terms of the leases, if less than 50 years
Leasehold improvements	20%
Furniture, fixtures and equipment	10% – 50%
Motor vehicles and vessels	16 ² / ₃ % – 20%

The profit or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

Investment properties/hotel properties

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

Investment properties and hotel properties are stated at their open market values based on professional valuations at the balance sheet date. Any surplus or deficit arising on the valuation of investment properties and hotel properties is credited or charged to the property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

No depreciation is provided on investment properties and hotel properties which are held on leases with an unexpired term of more than 20 years. It is the Group's practice to maintain the hotel property in a continual state of sound repair so that the property's value is not diminished by the passage of time. Depreciation is, however, provided on hotel furniture and fixtures. The cost of maintenance and repairs is charged to the income statement and the cost of significant improvements is capitalised.

On disposal of an investment property/a hotel property, the balance of the property revaluation reserve attributable to that property is transferred to the income statement as part of the profit or loss on disposal of the property.

Intangible assets

The expenditures on computer software that is not an integral part of the related hardware are capitalised as intangible assets and amortised using the straight-line method over their estimated useful life of five years. Where an indication of impairment exists, the carrying amount of the intangible asset is assessed and written down to its recoverable amount.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Properties under development

Land and buildings in the course of development for production, rental or administrative purposes or for purposes not yet determined, are carried at cost, less any impairment loss considered necessary by the Directors. Cost includes land cost, development cost, borrowing costs and other direct costs attributable to such properties, net of any rentals and interest income earned, until the relevant properties reach a marketable state. Depreciation of these assets, calculated on the same basis as other property assets, commences when the assets are put into use.

Investments in subsidiaries

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

Interest in associates

An associate is an enterprise, other than a subsidiary or a jointly controlled entity, over which the Group is in a position to exercise significant influence in management, including participation in financial and operating policy decisions.

The results and assets and liabilities of associates are incorporated in the financial statements using the equity method of accounting less any identified impairment loss. Unamortised goodwill or capital reserve arising on acquisition of associates prior to 1st January, 2001 is included in reserves.

When the Group transacts with its associate, unrealised profit is eliminated to the extent of the Group's interest in the relevant associate. Unrealised loss is eliminated to the extent of the Group's interest in the relevant associate, except where the transaction provides evidence of an impairment of the asset transferred.

Interest in jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the financial statements using the equity method of accounting less any identified impairment loss. Unamortised goodwill or capital reserve arising on acquisition of jointly controlled entities prior to 1st January, 2001 is included in reserves.

When the Group transacts with its jointly controlled entity, unrealised profit is eliminated to the extent of the Group's interest in the relevant jointly controlled entity. Unrealised loss is eliminated to the extent of the Group's interest in the relevant jointly controlled entity, except where the transaction provides evidence of an impairment of the asset transferred.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

Securities held for trading, arbitrage and underwriting operations purposes are measured at fair value at subsequent reporting dates. Any unrealised gains and losses are included in net profit or loss for the year.

Non-trading securities are measured at fair value at subsequent reporting dates. Any unrealised gains and losses are dealt with in the investment revaluation reserve until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the year.

Other investments

Other investments are stated at cost less any identified impairment loss.

Properties under development for sale/properties held for sale

Properties under development for sale/properties held for sale are stated at the lower of cost and net realisable value. Cost includes land cost, development cost, borrowing costs and other direct costs attributable to such properties, net of any rentals and interest income earned, until the relevant properties reach a marketable state. Net realisable value is determined by reference to management estimates of the selling price based on prevailing market conditions, less all estimated costs to completion and costs to be incurred in marketing and selling.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Capitalisation of borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, being assets which 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 proceeds from specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

All other borrowing costs are recognised as an expense in the period in which they are incurred.

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4. TURNOVER

Turnover represents the gross proceeds received and receivable derived from the sale of properties and property based investments, securities trading, income from property rental and property management services, hotel operations, term loans and other financial assets, brokerage and commission income from securities, service fees from provision of online financial services and online financial information distribution, and the following stated net of losses: income from bullion transactions and differences on foreign exchange transactions.

	2001 HK\$'000	2000 HK\$'000
Interest income	201,443	51,562
Property rental and management services	122,496	115,636
Sale of properties and property based investments	98,760	97,953
Securities broking	77,635	–
Dividend income	49,008	69
Income from forex, bullion, commodities and futures	39,424	–
Securities trading	32,153	144
Income from corporate finance and others	19,990	–
Hotel operating income	19,452	–
	660,361	265,364

5. SEGMENTAL INFORMATION

The Group has the following main business segments:

- Investment, broking and finance – trading in securities; providing securities broking and related services; providing broking services in forex, bullion and commodities; providing securities margin financing and insurance broking service; providing related financing and advisory product; and providing term loan financing.
- Property rental and management services – property rental and providing property management services.
- Sales of property and property based investment – development and sale of properties and property based investment.
- Hotel operations – providing hospitality related services.

Business segments are presented as the primary reporting format and geographical segments as the secondary reporting format.

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5. SEGMENTAL INFORMATION (CONT'D)**Business segments**

Analysis of the Group's businesses segmental information is as follows:

	2001				Total HK\$'000
	Investment, broking and finance HK\$'000	Property rental and management services HK\$'000	Sale of properties and property based investments HK\$'000	Hotel operations HK\$'000	
Turnover	457,688	123,533	98,760	19,452	699,433
Less : inter-segment turnover	(38,035)	(1,037)	-	-	(39,072)
	<u>419,653</u>	<u>122,496</u>	<u>98,760</u>	<u>19,452</u>	<u>660,361</u>
Profit (loss) from operations	117,117	(203,681)	(80,520)	2,332	(164,752)
Finance costs					(111,391)
Release of negative goodwill					36,524
Amortisation of capital reserve					20,417
Share of results of associates					118,661
Share of results of jointly controlled entities					51,377
Loss before taxation					(49,164)
Taxation					(29,818)
Loss after taxation					<u>(78,982)</u>
Segment assets	3,394,191	1,967,539	1,164,669	419,640	6,946,039
Interest in associates					2,132,992
Interest in jointly controlled entities					1,443,503
Tax reserve certificates					3,557
Total assets					<u>10,526,091</u>
Segment liabilities	(1,767,131)	(646,533)	(583,597)	(333,242)	(3,330,503)
Taxation					(18,307)
Deferred taxation					(13,277)
Total liabilities					<u>(3,362,087)</u>
Other information					
Depreciation	12,263	2,793	177	1,330	16,563
Amortisation of intangible assets	1,108	-	-	-	1,108
Impairment losses	11,482	-	81,500	-	92,982
Deficit arising on revaluation of properties	-	251,036	-	-	251,036
Capital expenditure	36,431	72,509	32,273	2,742	143,955
Other non-cash expenses	25,816	2,901	-	-	28,717

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5. SEGMENTAL INFORMATION (CONT'D)**Business segments (Cont'd)**

	2000				Total HK\$'000
	Investment, broking and finance HK\$'000	Property rental and management services HK\$'000	Sale of properties and property based investments HK\$'000	Hotel operations HK\$'000	
Turnover	73,104	116,484	97,953	–	287,541
Less : inter-segment turnover	(21,329)	(848)	–	–	(22,177)
	<u>51,775</u>	<u>115,636</u>	<u>97,953</u>	<u>–</u>	<u>265,364</u>
Profit (loss) from operations	(18,172)	1,805	(390,908)	–	(407,275)
Finance costs					(99,954)
Share of results of associates					63,658
Share of results of jointly controlled entities					63,368
Loss before taxation					(380,203)
Taxation					(12,542)
Loss after taxation					<u>(392,745)</u>
Segment assets	166,145	2,164,133	1,057,679	440,226	3,828,183
Interest in associates					1,906,842
Interest in jointly controlled entities					1,517,152
Tax reserve certificates					5,057
Total assets					<u>7,257,234</u>
Segment liabilities	(745,787)	(611,811)	(509,236)	(372,978)	(2,239,812)
Taxation					(9,457)
Deferred taxation					(9,789)
Total liabilities					<u>(2,259,058)</u>
Other information					
Depreciation	2,093	1,209	170	–	3,472
Impairment losses	25,461	–	392,987	–	418,448
Capital expenditure	458	80,370	132,410	39,675	252,913
Other non-cash expenses	10,130	1,905	–	–	12,035

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5. SEGMENTAL INFORMATION (CONT'D)

Business segments (Cont'd)

Inter-segment transactions have been entered into on terms agreed by the parties concerned.

During the year, less than 10% of the operations of the Group in terms of turnover, results of operations and assets were carried on or situated outside Hong Kong. Accordingly, no geographical segmental information is shown.

6. IMPAIRMENT LOSSES AND REVALUATION DEFICITS

	2001 HK\$'000	2000 HK\$'000
Impairment losses and revaluation deficits comprise:		
Impairment losses in respect of:		
Properties under development for sale	81,000	342,234
Non-trading securities	11,482	25,461
Properties held for sale	500	11,022
Properties under development	—	39,731
	<u>92,982</u>	<u>418,448</u>
Deficits arising on revaluation of investment properties and hotel property	<u>251,036</u>	<u>—</u>
	<u>344,018</u>	<u>418,448</u>

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7. LOSS FROM OPERATIONS

	2001 HK\$'000	2000 HK\$'000
Loss from operations has been arrived at after charging:		
Auditors' remuneration:		
Current year	3,306	1,152
Under(over) provision in previous years	285	(55)
	<u>3,591</u>	<u>1,097</u>
Amortisation of intangible assets (included in other operating expenses)	1,108	–
Depreciation	16,563	3,472
Net realised loss on derivatives	1,318	–
Net unrealised loss on trading securities	–	6,993
Retirement benefit scheme contributions, net of forfeited contributions of HK\$2,080,000 (2000: HK\$101,000) (note 42)	4,093	1,070
Staff costs (including Directors' emoluments but excluding retirement benefit scheme contributions)	141,681	43,962
Translation differences released in connection with the winding up of subsidiaries	–	43,000
	<u>–</u>	<u>43,000</u>
and after crediting:		
Dividend income from investments in listed securities	20,608	69
Dividend income from investments in unlisted securities	28,400	–
Net realised profit on trading securities	423	–
Net unrealised profit on trading securities	29,304	–
Net unrealised profit on derivatives	1,056	–
Net profit on other dealing activities	289	–
Profit on dealing in foreign currencies	6,117	–
Profit on disposal of non-trading securities	13,072	–
Profit on disposal of investment properties	7,690	19,984
Profit on disposal of subsidiaries/property based subsidiaries	180	10,330
Profit on disposal of a jointly controlled entity	–	4,820
Rental income from investment properties under operating leases, net of outgoings of HK\$15,438,000 (2000: HK\$15,677,000)	41,122	31,713
	<u>41,122</u>	<u>31,713</u>

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8. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive Directors	6	–
Independent Non-Executive Directors	6	–
	<u>12</u>	<u>–</u>
Other emoluments :		
Executive Directors :		
Salaries and other benefits	3,079	2,974
Retirement benefit scheme contributions	90	83
Independent Non-Executive Directors :		
Salaries and other benefits	–	–
	<u>3,169</u>	<u>3,057</u>
	<u>3,181</u>	<u>3,057</u>

The emoluments of the Directors were within the following bands:

	Number of Directors	
	2001	2000
HK\$Nil – HK\$1,000,000	4	3
HK\$3,000,001 – HK\$3,500,000	<u>1</u>	<u>1</u>

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8. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONT'D)

(b) Employees' emoluments

The five highest paid individuals included one (2000: one) of the Directors, details of whose emoluments are set out in note 8(a) above. The emoluments of the remaining four (2000: four) individuals are as follows:

	2001 HK\$'000	2000 HK\$'000
Salaries and other benefits	3,792	2,940
Performance related incentive payments	1,687	186
Retirement benefit scheme contributions	195	138
	<u>5,674</u>	<u>3,264</u>

The emoluments of the above employees were within the following bands:

	Number of employees	
	2001	2000
HK\$Nil – HK\$1,000,000	–	4
HK\$1,000,001–HK\$1,500,000	3	–
HK\$1,500,001–HK\$2,000,000	1	–
	<u>1</u>	<u>–</u>

9. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	89,492	155,032
Other borrowings wholly repayable within five years	300	2,236
Bank borrowings not wholly repayable within five years	49,781	16,348
	<u>139,573</u>	<u>173,616</u>
Less: Amount capitalised in respect of properties under development and properties under development for sale	(28,182)	(73,662)
	<u>111,391</u>	<u>99,954</u>

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10. TAXATION

	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	9,258	1,581
(Over) underprovision in previous years	(2,592)	92
	<u>6,666</u>	<u>1,673</u>
Taxation outside Hong Kong	295	–
Deferred taxation (note 33)	1,275	–
Share of taxation attributable to associates	16,858	7,863
Share of taxation attributable to jointly controlled entities	4,724	3,006
	<u>29,818</u>	<u>12,542</u>

Hong Kong Profits Tax is calculated at the rate of 16% on the estimated assessable profits derived from Hong Kong.

Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions.

Details of deferred taxation are set out in note 33.

11. LOSS ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's loss attributable to shareholders of HK\$178,931,000 (2000: HK\$396,059,000), a loss of HK\$632,908,000 (2000: HK\$53,758,000) has been dealt with in the financial statements of the Company.

12. DIVIDEND

The Directors do not recommend the payment of a dividend for the year ended 31st December, 2001 (2000: Nil).

13. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to shareholders of HK\$178,931,000 (2000: HK\$396,059,000) and on the weighted average number of 3,723,315,574 (2000: weighted average number of 2,954,252,285 after adjusting for the rights issue in June 2001) shares in issue during the year.

No diluted loss per share is presented as the warrants have no dilutive effect for the current year. No diluted loss per share has been presented for 2000 because the exercise price of the Company's warrants was higher than the average market price of the Company's shares for that year.

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14. FIXED ASSETS

	Investment properties HK\$'000	Hotel property HK\$'000	Land and buildings HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles and vessels HK\$'000	Total HK\$'000
The Group							
Cost or valuation							
At 1st January, 2001	2,087,000	435,015	9,576	3,421	20,486	23,882	2,579,380
Exchange adjustments	-	-	-	(11)	(5)	(2)	(18)
Acquisition of subsidiaries	83,599	-	87,536	21,619	51,624	1,360	245,738
Additions	66,966	-	-	12,109	20,258	710	100,043
Disposals	(70,031)	-	(9,576)	(5,355)	(8,119)	(2,984)	(96,065)
Overprovision of construction costs	-	(110)	-	-	-	-	(110)
Deficit arising on revaluation	(226,734)	(24,302)	-	-	-	-	(251,036)
At 31st December, 2001	1,940,800	410,603	87,536	31,783	84,244	22,966	2,577,932
Comprising:							
At cost	-	-	71,536	31,783	84,244	22,966	210,529
At valuation in 1985	-	-	16,000	-	-	-	16,000
At valuation in 2001	1,940,800	410,603	-	-	-	-	2,351,403
	1,940,800	410,603	87,536	31,783	84,244	22,966	2,577,932
Depreciation							
At 1st January, 2001	-	-	493	3,421	14,372	21,363	39,649
Exchange adjustments	-	-	-	(5)	(10)	(2)	(17)
Acquisition of subsidiaries	-	-	3,926	12,392	30,203	1,080	47,601
Provided for the year	-	-	676	3,549	10,917	1,421	16,563
Eliminated on disposals	-	-	(548)	(4,920)	(7,169)	(2,813)	(15,450)
At 31st December, 2001	-	-	4,547	14,437	48,313	21,049	88,346
Net book values							
At 31st December, 2001	1,940,800	410,603	82,989	17,346	35,931	1,917	2,489,586
At 31st December, 2000	2,087,000	435,015	9,083	-	6,114	2,519	2,539,731

for the year ended 31st December, 2001

14. FIXED ASSETS (CONT'D)

The net book value of properties held by the Group at 31st December, 2001 and 2000 comprised:

	2001			2000		
	Investment properties HK\$'000	Hotel property HK\$'000	Land and buildings HK\$'000	Investment properties HK\$'000	Hotel property HK\$'000	Land and buildings HK\$'000
Properties in Hong Kong:						
Long-term	1,632,000	410,603	82,989	1,737,000	435,015	–
Medium-term	308,800	–	–	350,000	–	–
Mainland China						
Long-term	–	–	–	–	–	9,083
	1,940,800	410,603	82,989	2,087,000	435,015	9,083

The Group's investment properties are held for rental purposes under operating leases and the hotel property is held for hotel operations. The Group's investment properties and hotel property in Hong Kong were revalued on 31st December, 2001 by FPD Savills (Hong Kong) Limited and by DTZ Debenham Tie Leung Limited, Chartered Surveyors, on an open market value basis, at HK\$2,351,403,000 (2000: HK\$2,522,015,000).

In preparing these accounts, the Group has placed reliance on paragraph 80 of SSAP 17 (Revised), which provides exemption from the need to make regular revaluations for "Land and buildings" carried at a revalued amount prior to 30th September, 1995. Included in "Land and buildings" is a property carried at HK\$16,000,000 which was revalued in 1985 by Jones Lang Wootton, independent professional valuer, on an open market value basis. The carrying amount of the "Land and buildings", including the revalued property, would have been HK\$84,732,000, had the property been carried at cost less accumulated depreciation.

The deficit of HK\$251,036,000 arising on revaluation during the year has been charged to the income statement. In 2000, the deficit of HK\$353,952,000 arising on revaluation had been charged against the property revaluation reserve.

The Company did not have any fixed assets at 31st December, 2001 or 2000.

for the year ended 31st December, 2001

15. INTANGIBLE ASSETS

	Computer software HK\$'000
The Group	
Cost	
Additions and at 31st December, 2001	7,148
Amortisation	
Provided for the year and at 31st December, 2001	1,108
Net book value	
At 31st December, 2001	<u>6,040</u>

16. NEGATIVE GOODWILL

	HK\$'000
The Group	
Gross amount	
Acquisition of subsidiaries	249,125
Purchase of additional shares in a subsidiary	500
At 31st December, 2001	249,625
Released to the income statement	
Released during the year and at 31st December, 2001	36,524
Net book value	
At 31st December, 2001	<u>213,101</u>

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17. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2001 HK\$'000	2000 HK\$'000
At cost, less impairment loss:		
At 1st January	121,675	2,972,876
Exchange adjustments	(11)	391
Transfer to investment properties	–	(1,450,993)
Transfer to hotel property	–	(449,093)
Transfer to properties under development for sale	–	(1,230,036)
Additions, including interest of HK\$329,000 (2000: HK\$73,662,000) capitalised	2,508	317,903
Acquisition of a subsidiary	–	12,998
Disposal of property and property based subsidiaries	–	(12,640)
Impairment loss	–	(39,731)
At 31st December	<u>124,172</u>	<u>121,675</u>

The carrying value of properties under development held by the Group at 31st December, 2001 and 2000 comprised:

	The Group	
	2001 HK\$'000	2000 HK\$'000
Freehold properties in the United States of America	93,506	92,421
Long-term properties in Hong Kong	30,666	29,254
	<u>124,172</u>	<u>121,675</u>

At 31st December, 2001, the Group had interest capitalised of HK\$1,135,000 (2000: HK\$806,000) in respect of properties under development.

18. INTEREST IN SUBSIDIARIES

	The Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares at cost, less impairment loss	14	14
Amounts due from subsidiaries, less impairment loss	3,597,406	3,652,003
	<u>3,597,420</u>	<u>3,652,017</u>

None of the subsidiaries had any loan capital outstanding at the end of the year or at any time during the year.

Particulars of the Company's principal subsidiaries at 31st December, 2001 are set out in note 46.

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19. INTEREST IN ASSOCIATES

	The Group	
	2001 HK\$'000	2000 HK\$'000
Listed securities in Hong Kong (note 19(i))	1,927,924	1,889,428
Unlisted shares (note 19(ii))	205,068	17,414
	2,132,992	1,906,842

	The Group	
	2001 HK\$'000	2000 HK\$'000

Notes :

(i) Listed securities in Hong Kong		
Share of net assets other than goodwill	1,870,741	1,869,860
Unamortised goodwill on acquisition of associates	35,237	-
Unamortised negative goodwill on acquisition of associates	(180,355)	-
	1,725,623	1,869,860
Amount due from associates, less impairment loss	202,301	19,568
	1,927,924	1,889,428
Market value of listed securities	731,197	946,585
(ii) Unlisted shares		
Share of net assets other than goodwill	138,590	10,276
Unamortised negative goodwill on acquisition of associates	(8,713)	-
	129,877	10,276
Amounts due from associates	75,191	7,138
	205,068	17,414

The amounts due from associates are not repayable within twelve months.

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19. INTEREST IN ASSOCIATES (CONT'D)

During the year, the Group's interest in Allied Kajima Limited ("Allied Kajima") has been reclassified as an interest in a jointly controlled entity instead of interest in an associate as in the past, following a review to comply with revised accounting standards. To reflect a consistent presentation, the following amounts in the prior year have been reclassified from items in respect of associates to those related to jointly controlled entities respectively.

Reclassified from	Reclassified to	HK\$'000
Share of results of associates	Share of results of jointly controlled entities	48,294
Share of taxation attributable to associates	Share of taxation attributable to jointly controlled entities	1,669
Interest in associates	Interest in jointly controlled entities	1,517,152
Amounts due to associates	Amount due to a jointly controlled entity	
Current portion	Current portion	10,319
Non-current portion	Non-current portion	141,500

Particulars of the Company's principal associates at 31st December, 2001 are set out in note 47.

Extracts of the consolidated operating results, financial position and contingent liabilities of the Group's significant associate, Tian An China Investments Company Limited ("Tian An"), which are based on its audited consolidated financial statements, are as follows:

Operating results of Tian An for the year ended 31st December, 2001:

	HK\$'000
Turnover	299,273
Depreciation, amortisation and impairment	10,785
Profit before taxation	119,711
Profit attributable to shareholders of Tian An	102,782

Financial position of Tian An at 31st December, 2001:

	HK\$'000
Non-current assets	4,079,825
Current assets	2,782,163
Total assets	6,861,988
Non-current liabilities	837,474
Current liabilities	1,751,093
Total liabilities	2,588,567
Minority interests	197,199
	4,076,222
Contingent liabilities	535,630

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20. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets other than goodwill	1,360,270	1,515,962
Share of goodwill of a jointly controlled entity	10,855	–
	1,371,125	1,515,962
Elimination of unrealised profit	(17,622)	–
	1,353,503	1,515,962
Amount due from a jointly controlled entity	90,000	1,190
	1,443,503	1,517,152

The amount due from a jointly controlled entity is not repayable within twelve months.

Particulars of the Company's principal jointly controlled entities at 31st December, 2001 are set out in note 48.

Extracts of the consolidated operating results, financial position and contingent liabilities of the Group's significant jointly controlled entity, Allied Kajima, which are based on Allied Kajima's audited consolidated financial statements are as follows:

Operating results of Allied Kajima for the years ended 31st December, 2001 and 2000:

	2001 HK\$'000	2000 HK\$'000
Turnover	324,057	352,389
Depreciation	12,972	14,452
Profit before taxation	137,075	96,588
Profit attributable to shareholders of Allied Kajima	128,824	93,250

for the year ended 31st December, 2001

20. INTEREST IN JOINTLY CONTROLLED ENTITIES (CONT'D)

Financial position of Allied Kajima at 31st December, 2001 and 2000:

	2001 HK\$'000	2000 HK\$'000
Non-current assets	2,748,129	3,374,528
Current assets	589,305	325,570
Total assets	<u>3,337,434</u>	<u>3,700,098</u>
Non-current liabilities	95,903	526,637
Current liabilities	516,068	141,537
Total liabilities	<u>611,971</u>	<u>668,174</u>
	<u>2,725,463</u>	<u>3,031,924</u>
Contingent liabilities:		
Guarantees given by Allied Kajima to banks in respect of bank guarantees issued to the Inland Revenue Department in connection with tax disputes related to certain subsidiaries of Allied Kajima	<u>260,030</u>	<u>260,030</u>

Note:

The financial statements of Allied Kajima include disclosures concerning the possible outcome of a tax dispute between subsidiaries of Allied Kajima and the Commissioner of Inland Revenue in respect of assessments of profits raised by the Commissioner in respect of the disposal of certain investment properties held by the subsidiaries in prior years. The outcome of the dispute could result in an additional tax liability for an aggregate amount of not more than HK\$249,000,000 to the Allied Kajima group. Whilst Allied Kajima's subsidiaries are strongly contesting the case, it is not possible to quantify the effects, if any, of the resolution of this uncertainty and accordingly, no provision has been made in the financial statements.

A fundamental uncertainty note relating to the abovementioned tax dispute has been included in the auditors' opinion of the financial statements of Allied Kajima.

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21. INVESTMENTS

	Investments in securities						Total	
	Non-trading securities		Trading securities		Other investments		2001	2000
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group								
Listed equity securities, at market value								
Hong Kong	260,455	-	14,395	1,781	-	-	274,850	1,781
Outside Hong Kong	1,383	-	6,010	2,912	-	-	7,393	2,912
	<u>261,838</u>	<u>-</u>	<u>20,405</u>	<u>4,693</u>	<u>-</u>	<u>-</u>	<u>282,243</u>	<u>4,693</u>
Unlisted equity securities								
Hong Kong	188,190	3,910	509	-	-	-	188,699	3,910
Outside Hong Kong	69,119	-	-	-	-	-	69,119	-
	<u>257,309</u>	<u>3,910</u>	<u>509</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>257,818</u>	<u>3,910</u>
Unlisted marketable debt securities								
Hong Kong	-	-	12,828	-	-	-	12,828	-
Exchange seats and statutory deposits and other deposits with Exchange and Clearing companies	-	-	-	-	17,223	-	17,223	-
Amounts due from investee companies less impairment loss	-	-	-	-	103,113	-	103,113	-
	<u>519,147</u>	<u>3,910</u>	<u>33,742</u>	<u>4,693</u>	<u>120,336</u>	<u>-</u>	<u>673,225</u>	<u>8,603</u>
Carrying amount analysed for reporting purposes as:								
Non-current	519,147	3,910	-	-	120,336	-	639,483	3,910
Current	-	-	33,742	4,693	-	-	33,742	4,693
	<u>519,147</u>	<u>3,910</u>	<u>33,742</u>	<u>4,693</u>	<u>120,336</u>	<u>-</u>	<u>673,225</u>	<u>8,603</u>

for the year ended 31st December, 2001

21. INVESTMENTS (CONT'D)

	Investments in securities						Total	
	Non-trading securities		Trading securities		Other investments		2001	2000
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Company								
Unlisted equity securities								
Hong Kong	510	510	-	-	-	-	510	510
Carrying amount analysed for reporting purposes as:								
Non-current	510	510	-	-	-	-	510	510

22. PROPERTIES UNDER DEVELOPMENT FOR SALE

The Group's properties under development for sale, are held under long-term leases and are situated in Hong Kong. During the year, the Group reviewed the carrying amounts of its properties under development for sale and identified that certain of the properties under development for sale have suffered impairment losses in view of the downturn of the property market in Hong Kong. The carrying amounts of those properties under development for sale were accordingly reduced to their recoverable amounts, which represent their net selling prices. The net selling prices were determined with reference to the market prices of properties in Hong Kong.

Included in the properties under development for sale is interest capitalised of HK\$145,147,000 (2000: HK\$117,294,000).

There was no cost of properties under development for sale recognised as an expense during the year (2000: Nil).

23. PROPERTIES HELD FOR SALE

The Group's properties held for sale, which are held under medium-term leases in Hong Kong, are stated at net realisable value at the balance sheet date.

The cost of properties held for sale recognised as an expense during the year was HK\$14,362,000 (2000: Nil).

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24. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS

For trade receivables in respect of securities, bullion and commodities businesses, the Group allows a credit period up to the settlement dates of respective securities, bullion and commodities transactions or a credit period mutually agreed with the contracting parties. The average credit terms of other trade receivables range from 30 days to 180 days. Included in accounts receivable, deposits and prepayments are trade receivables totalling HK\$2,337,991,000 (2000: HK\$83,626,000), the aged analysis of which is as follows:

	The Group	
	2001 HK\$'000	2000 HK\$'000
0 to 30 days	1,581,574	41,317
31 to 180 days	216,020	36,478
181 to 365 days	409,849	8,557
Over 365 days	542,481	103,215
	2,749,924	189,567
Allowance for doubtful debts	(411,933)	(105,941)
	2,337,991	83,626

Included in the above balance of HK\$2,749,924,000 (2000: HK\$189,567,000) are term loans totalling HK\$1,187,376,000 (2000: HK\$93,288,000), the maturity profile of which is shown in note 45.

There were listed, unlisted securities and properties of clients held as collateral against secured margin loans and term loans. The market value of the listed securities at 31st December, 2001 was HK\$7,152,636,000 (2000: Nil).

On 24th November, 1999, Sun Hung Kai & Co. Limited ("Sun Hung Kai"), a subsidiary of the Company since May 2001, entered into an agreement for the sale of 770,000,000 shares in Tian An to Millennium Touch Limited ("MT"). These 770,000,000 Tian An shares represented approximately 19.79% of the then issued share capital of Tian An and 9.07% of the issued share capital of Tian An at 31st December, 2001. MT paid 5% of the purchase price and entered into a loan agreement with Sun Hung Kai group to finance the balance. As security for the loan agreement, MT entered into a share mortgage with Sun Hung Kai group. The share mortgage provided that if there was default under the loan agreement, then Sun Hung Kai group may enforce its security by, inter alia, selling the 770,000,000 Tian An shares to discharge the indebtedness owed by MT to Sun Hung Kai group or foreclosing on the shares.

MT has defaulted under the loan agreement since 24th November, 2000. There was an unrealised loss of HK\$134,124,000 to Sun Hung Kai group for the year ended 31st December, 2000, by marking to market those 770,000,000 Tian An shares at the closing market price of HK\$0.134 at 31st December, 2000. Despite the rise in market price of Tian An shares at the closing market price of HK\$0.168 at 31st December, 2001, no adjustment of the said unrealised loss or write-back was accounted for in the income statement. The amount due from MT after the unrealised loss at 31st December, 2001 was HK\$103,180,000 (2000: Nil) and has been included under the Group's balance of accounts receivable, deposits and prepayments.

The credit of trade receivables in respect of the finance business including secured margin loans and secured term loans are approved and reviewed by the respective committees. Clients are normally required to provide additional margin or securities whenever there are any shortfalls in their accounts. Specific provisions are made for doubtful debts as and when they are considered necessary by the management and the credit committee. Trade receivables in the balance sheet are stated net of such provisions.

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25. ACCOUNTS PAYABLE AND ACCRUED CHARGES

Included in accounts payable and accrued charges are trade payables of HK\$421,225,000 (2000: HK\$143,147,000), the aged analysis of which is as follows:

	The Group	
	2001 HK\$'000	2000 HK\$'000
0 to 30 days	323,453	42,768
31 to 180 days	44,309	21,223
181 to 365 days	5,187	51,895
Over 365 days	48,276	27,261
	<u>421,225</u>	<u>143,147</u>

26. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.20 each		
Authorised:		
At 1st January, 2000, 31st December, 2000 and 31st December, 2001	<u>30,000,000,000</u>	<u>6,000,000</u>
Issued and fully paid:		
At 1st January, 2000	2,900,537,773	580,108
Exercise of warrant subscription rights	1,651	–
At 31st December, 2000	2,900,539,424	580,108
Rights issue during the year	1,450,269,712	290,054
Exercise of warrant subscription rights	484	–
At 31st December, 2001	<u>4,350,809,620</u>	<u>870,162</u>

Rights issue of new shares

On 20th April, 2001, the Board of Directors approved a rights issue of 1,450,269,712 new shares of HK\$0.20 each on the basis of one new share for every two existing shares held at HK\$0.25 per new share payable in full on acceptance. The rights shares issued rank pari passu in all respects with the existing fully paid shares. A total of 1,450,269,712 new shares were allotted on 19th June, 2001.

The net proceeds (after deduction of expenses) from the rights issue amounted to HK\$358,714,000, of which HK\$112,000,000 was used to set off against the amount due by the Company to Allied Group and the remaining balance was applied for reducing the Group's debts and as general working capital of the Group.

Exercise of warrants

Details of the exercise of warrants are set out in note 27.

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27. WARRANTS

Pursuant to an ordinary resolution passed at the Extraordinary General Meeting of the Company held on 17th September, 2001, a bonus issue of warrants in the proportion of one warrant for every five shares held was approved. A total of 870,161,827 units of warrants were allotted on 17th September, 2001. Warrant holders were entitled to subscribe in cash for one fully paid share at an initial subscription price of HK\$0.27 per share, subject to adjustment, at any time from 20th September, 2001 to 17th September, 2002 (both days inclusive). During the year, 484 warrants were converted into 484 ordinary shares at a subscription price of HK\$0.27 per share. 870,161,343 warrants, which will expire on 17th September, 2002, were outstanding at 31st December, 2001. Exercise in full of the outstanding warrants would result in the issue of 870,161,343 additional shares with an aggregate subscription value of HK\$234,943,563.

28. REVALUATION RESERVES

	Property revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Total HK\$'000
The Group			
At 1st January, 2000	849,980	(52,453)	797,527
Deficit arising on revaluation	(336,261)	–	(336,261)
Adjustment due to overprovision for construction costs	941	–	941
Share of post-acquisition reserve movements of associates	–	48,564	48,564
Share of post-acquisition reserve movements of a jointly controlled entity	27,337	–	27,337
Released on disposal of investment properties	(18,007)	–	(18,007)
At 31st December, 2000	523,990	(3,889)	520,101
Adjustment in property revaluation reserve on reclassification of an associate to a subsidiary	15,666	–	15,666
Deficit arising on revaluation	–	(26,704)	(26,704)
Released on reclassification of a listed security to an associate	–	21,211	21,211
Released to income statement on impairment of non-trading securities	–	5,678	5,678
Share of post-acquisition reserve movements of associates	11,820	2,440	14,260
Share of post-acquisition reserve movements of a jointly controlled entity	(151,618)	–	(151,618)
Released on disposal of non-trading securities	–	(407)	(407)
Released on disposal of investment properties	(2,000)	–	(2,000)
At 31st December, 2001	397,858	(1,671)	396,187

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29. ACCUMULATED PROFITS (LOSS)

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1st January	1,274,823	1,670,882	42,089	95,847
Loss attributable to shareholders	(178,931)	(396,059)	(632,908)	(53,758)
Transferred to capital reserve	(1,661)	—	—	—
At 31st December	<u>1,094,231</u>	<u>1,274,823</u>	<u>(590,819)</u>	<u>42,089</u>

The accumulated profits of the Group include HK\$48,341,000 (2000: HK\$262,584,000) retained by associates of the Group and HK\$1,241,662,000 (2000: HK\$1,242,249,000) retained by its jointly controlled entities.

The Company did not have any reserve available for distribution to shareholders at 31st December, 2001 (2000: distributable reserve of HK\$42,089,000).

30. OTHER RESERVES

	Special capital reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Capital (goodwill) reserve HK\$'000	Total HK\$'000
The Group						
At 1st January, 2000	2,320,430	386,150	72,044	(177,482)	(87,028)	2,514,114
Exercise of warrant subscription rights	—	2	—	—	—	2
Acquisition of additional interest in an associate	—	—	—	—	121,940	121,940
Share of post-acquisition reserve movements of associates	—	—	—	454	(3,852)	(3,398)
Share of post-acquisition reserve movements of jointly controlled entities	—	—	—	(67,610)	—	(67,610)
Exchange differences on translation of operations outside Hong Kong	—	—	—	(2,564)	—	(2,564)
Translation differences released in connection with the winding up of subsidiaries	—	—	—	43,000	—	43,000
Released on disposal of a property based subsidiary	—	—	—	(781)	—	(781)
At 31st December, 2000	<u>2,320,430</u>	<u>386,152</u>	<u>72,044</u>	<u>(204,983)</u>	<u>31,060</u>	<u>2,604,703</u>

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30. OTHER RESERVES (CONT'D)

	Special capital reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Capital (goodwill) reserve HK\$'000	Total HK\$'000
The Group						
At 31st December, 2000	2,320,430	386,152	72,044	(204,983)	31,060	2,604,703
Premium on issue of shares	-	72,513	-	-	-	72,513
Share issue expenses	-	(3,853)	-	-	-	(3,853)
Share of post-acquisition reserve movements of associates	-	-	-	1,580	32	1,612
Share of post-acquisition reserve movements of jointly controlled entities	-	-	-	(19,023)	-	(19,023)
Exchange differences on translation of operations outside Hong Kong	-	-	-	(51)	-	(51)
Released on winding up of subsidiaries	-	-	-	(33)	634	601
Amortisation of capital reserve	-	-	-	-	(20,417)	(20,417)
Released on reclassification of an associate to a subsidiary	-	-	-	219	(169)	50
Transferred from accumulated profits	-	-	-	-	1,661	1,661
At 31st December, 2001	<u>2,320,430</u>	<u>454,812</u>	<u>72,044</u>	<u>(222,291)</u>	<u>12,801</u> (Note)	<u>2,637,796</u>

Note:

Included in capital (goodwill) reserve was goodwill of HK\$91,005,000 (2000: HK\$91,639,000), capital reserve of HK\$101,578,000 (2000: HK\$121,995,000) and statutory reserves as required under relevant rules and regulations of Mainland China of HK\$2,228,000 (2000: HK\$704,000).

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30. OTHER RESERVES (CONT'D)

	Special capital reserve HK\$'000	Share premium HK\$'000	Capital redemption reserve HK\$'000	Total HK\$'000
The Company				
At 1st January, 2000	2,320,430	386,150	72,044	2,778,624
Exercise of warrant subscription rights	—	2	—	2
At 31st December, 2000	2,320,430	386,152	72,044	2,778,626
Premium on issue of shares	—	72,513	—	72,513
Share issue expenses	—	(3,853)	—	(3,853)
At 31st December, 2001	<u>2,320,430</u>	<u>454,812</u>	<u>72,044</u>	<u>2,847,286</u>

As indicated in note 29, the Company did not have any reserve available for distribution to shareholders at 31st December, 2001 (2000: distributable reserve of HK\$42,089,000). When sanctioning a reduction in nominal value of the Company's shares in 1998, the High Court of Hong Kong stipulated that the credit arising on the reduction be transferred to a special capital reserve, and that the reserve is not to be distributable until all of the liabilities of the Company as at the date of the order, 14th July, 1998, are settled. At 31st December, 2001, liabilities of the Company included HK\$7,057,000 (2000: HK\$55,487,000) in respect of liabilities in existence at 14th July, 1998. Accordingly, the special capital reserve was not distributable at 31st December, 2001.

31. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free except for an amount of HK\$294,071,000 which is subject to interest at 2.5% p.a. The amounts due to subsidiaries are not repayable within twelve months from the balance sheet date and the balances are therefore shown as a non-current liability.

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32. BANK BORROWINGS

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank borrowings comprise :				
Bank loans	2,389,605	1,732,413	–	–
Bank overdrafts	87,484	71,502	28,880	25,656
	<u>2,477,089</u>	<u>1,803,915</u>	<u>28,880</u>	<u>25,656</u>
Analysed as :				
Secured	2,431,911	1,759,711	–	–
Unsecured	45,178	44,204	28,880	25,656
	<u>2,477,089</u>	<u>1,803,915</u>	<u>28,880</u>	<u>25,656</u>
Bank loans and overdrafts are repayable as follows:				
Within one year or on demand	1,599,010	896,051	28,880	25,656
More than one year but not exceeding two years	157,615	210,933	–	–
More than two years but not exceeding five years	226,086	423,423	–	–
More than five years	494,378	273,508	–	–
	<u>2,477,089</u>	<u>1,803,915</u>	<u>28,880</u>	<u>25,656</u>
Less: Amount repayable within one year and shown under current liabilities	<u>(1,599,010)</u>	<u>(896,051)</u>	<u>(28,880)</u>	<u>(25,656)</u>
Amount due after one year	<u>878,079</u>	<u>907,864</u>	<u>–</u>	<u>–</u>

Details of the assets of the Group pledged to secure bank borrowings are set out in note 43.

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33. DEFERRED TAXATION

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Balance at 1st January	9,789	9,789
Exchange adjustments	1	–
Acquisition of subsidiaries	2,212	–
Provided for the year (note 10)	1,275	–
Balance at 31st December	<u>13,277</u>	<u>9,789</u>

Deferred taxation mainly represents the taxation effect of the surplus arising on the revaluation of certain investment properties at the date of transfer from properties held for sale.

Deferred taxation has not been provided on the other valuation surpluses or deficits arising on the valuation of investment properties and hotel property as profits or losses arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation does not constitute a timing difference for tax purposes.

34. RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	HK\$'000	HK\$'000
Loss from operations	(164,752)	(407,275)
Deficit arising on revaluation of properties	251,036	–
Impairment loss for properties under development for sale	81,000	342,234
Impairment loss for non-trading securities	11,482	25,461
Impairment loss for properties held for sale	500	11,022
Impairment loss for properties under development	–	39,731
Bad and doubtful debts	28,717	12,035
Depreciation	16,563	3,472
Loss (profit) on disposal of fixed assets	1,148	(39)
Amortisation of intangible assets	1,108	–
Profit on disposal of non-trading securities	(13,072)	–
Profit on disposal of subsidiaries/property based subsidiaries	(180)	(10,330)
Profit on disposal of an associate	(477)	–

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34. RECONCILIATION OF LOSS FROM OPERATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES (CONT'D)

	2001 HK\$'000	2000 HK\$'000
Translation differences released in connection with the winding up of subsidiaries	–	43,000
Write back of provision for construction costs	–	(12,001)
Profit on disposal of a jointly controlled entity	–	(4,820)
Decrease in accounts receivable, deposits and prepayments	365,569	145,852
Increase in amount due to Allied Group Limited	22,374	24,340
Decrease in properties held for sale	9,871	–
(Decrease) increase in accounts payable and accrued charges	(217,126)	66,248
Increase in properties under development for sale	(83,241)	–
(Increase) decrease in trading securities	(28,731)	7,054
Increase in inventories	(36)	(73)
Increase in property based investment	–	(52,164)
Net cash inflow from operating activities	<u>281,753</u>	<u>233,747</u>

35. ACQUISITION OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	198,137	121,733
Properties under development	–	12,998
Interest in associates	1,699,481	–
Interest in jointly controlled entities	124,694	–
Investments	966,139	–
Properties held for sale	6,375	–
Accounts receivable, deposits and prepayments	2,750,267	67
Short-term bank deposits	58,643	–
Bank balances and cash	234,476	–
Accounts payable and accrued charges	(755,795)	(8,128)
Amounts due to associates	(18,258)	–
Taxation	(22,829)	–
Bank loans and overdrafts	(796,710)	–
Deferred taxation	(2,212)	–
Minority interests	(2,047,859)	–
	<u>2,394,549</u>	126,670
Negative goodwill on acquisition	(249,125)	–
Total consideration	<u>2,145,424</u>	<u>126,670</u>

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35. ACQUISITION OF SUBSIDIARIES (CONT'D)

	2001 HK\$'000	2000 HK\$'000
Satisfied by:		
Cash	227,985	126,670
Reclassification of interest in associates	1,890,848	–
Reclassification of interest in jointly controlled entities	26,591	–
	<u>2,145,424</u>	<u>126,670</u>
Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of subsidiaries:		
Cash consideration paid	(227,985)	(126,670)
Bank loans and overdrafts acquired	(770,997)	–
Bank deposits, bank balances and cash acquired	293,119	–
	<u>(705,863)</u>	<u>(126,670)</u>

The subsidiaries acquired during the year contributed HK\$117,821,000 (2000: utilised of HK\$3,304,000) of the Group's net operating cash flow, received HK\$41,813,000 (2000: Nil) in respect of the net returns on investments and servicing of finance, paid HK\$19,237,000 (2000: Nil) in respect of taxation, utilised HK\$12,920,000 (2000: HK\$16,256,000) for investing activities and raised HK\$55,648,000 (2000: HK\$19,560,000) for financing activities.

36. DISPOSAL OF SUBSIDIARIES/PROPERTY BASED SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net (liabilities) assets disposed of:		
Properties under development	–	10,452
Fixed assets	–	18
Property based investment	–	52,164
Accounts receivable and prepayments	–	7
Bank balances	22	50
Accounts payable and accrued charges	(653)	(53)
	<u>(631)</u>	<u>62,638</u>
Translation reserve released upon disposal	(33)	(781)
Goodwill reserve released upon disposal	634	–
Profit on disposal of subsidiaries/property based subsidiaries	180	10,330
	<u>150</u>	<u>72,187</u>

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36. DISPOSAL OF SUBSIDIARIES/PROPERTY BASED SUBSIDIARIES (CONT'D)

	2001 HK\$'000	2000 HK\$'000
Satisfied by :		
Accounts receivable due after one year	–	72,187
Other receivable	<u>150</u>	<u>–</u>
	<u>150</u>	<u>72,187</u>
Analysis of the net outflow of cash and cash equivalents in respect of the disposal of subsidiaries/property based subsidiaries:		
Bank balances disposed of	<u>(22)</u>	<u>(50)</u>

The subsidiaries disposed of during the year did not have any significant impact on the Group's net operating or other cashflows. The property based subsidiaries disposed of in 2000 utilised HK\$52,164,000 of the Group's net operating cash flow and paid HK\$128,000 for investing activities and raised HK\$52,315,000 for financing activities.

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37. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Bank loans HK\$'000	Amounts due to associates HK\$'000	Amount due to a jointly controlled entity HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2000	966,258	1,544,897	9,791	178,814	15,854	2,715,614
Exchange adjustments	-	15	-	-	(27)	(12)
Proceeds received from issue of shares	2	-	-	-	-	2
New bank loans raised	-	416,933	-	-	-	416,933
Repayments during the year	-	(247,979)	-	(30,453)	-	(278,432)
Amounts advanced from associates	-	-	160	-	-	160
Amount advanced from a jointly controlled entity	-	-	-	3,458	-	3,458
Dividend paid by a subsidiary to minority shareholders	-	-	-	-	(700)	(700)
Share of results for the year	-	-	-	-	3,314	3,314
At 31st December, 2000	966,260	1,713,866	9,951	151,819	18,441	2,860,337
Acquisition of subsidiaries	-	25,713	18,258	-	2,047,859	2,091,830
Proceeds received from issue of shares	250,567	-	-	-	-	250,567
Set off against amount due to Allied Group Limited through a rights issue of shares (note 26)	112,000	-	-	-	-	112,000
Share issue expenses	(3,853)	-	-	-	-	(3,853)
Amounts advanced from associates	-	-	3,348	-	-	3,348
New bank loan raised	-	677,123	-	-	-	677,123
Repayments during the year	-	(670,543)	-	(33,719)	-	(704,262)
Share of post-acquisition reserves	-	-	-	-	8,484	8,484
Decrease due to change in shareholding	-	-	-	-	(879)	(879)
Dividends paid by subsidiaries to minority shareholders	-	-	-	-	(8,226)	(8,226)
Share of results for the year	-	-	-	-	99,949	99,949
At 31st December, 2001	<u>1,324,974</u>	<u>1,746,159</u>	<u>31,557</u>	<u>118,100</u>	<u>2,165,628</u>	<u>5,386,418</u>

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38. MAJOR NON-CASH TRANSACTIONS

- (i) During the year, the Group increased its capital by way of rights issue, part of the proceeds of which, amounting to HK\$112,000,000, was used to set off against the amount due by the Company to Allied Group.
- (ii) At 30th June, 2001, a 8.83% interest in a listed associate held by Sun Hung Kai as trading securities with a carrying value of HK\$142,480,000 was reclassified as interest in associates, resulting in Sun Hung Kai's interest in Tian An increased from 34.44% to 43.27%. A negative goodwill of HK\$192,152,000 has arisen as a result of the reclassification.
- (iii) In December, 2001, Sun Hung Kai acquired a 1.54% interest in Yu Ming Investments Limited ("Yu Ming") at a consideration of HK\$7,824,000 from a client. The consideration was set off by HK\$7,824,000 due from the client. As a result of this acquisition, Sun Hung Kai's holding in Yu Ming increased from 19.82% to 21.36% and Yu Ming was reclassified from investments in securities to interest in associates on 28th December, 2001.

39. CONTINGENT LIABILITIES

At 31st December, 2001, the Group had contingent liabilities as follows:

- (a) The Group had guarantees of HK\$347,020,000 (2000: HK\$245,000,000) in respect of banking and loan facilities utilised by an investee company and subsidiaries of jointly controlled entities.
- (b) Guarantees of the Group in respect of indemnities on banking guarantees made available to a clearing house and regulatory body and others were HK\$5,255,000 (2000: Nil).
- (c) Sun Hung Kai Securities Limited ("SHKSL"), a wholly-owned subsidiary of Sun Hung Kai, issued proceedings against New World Development Company Limited ("NWD") on 22nd December, 1998, claiming, inter alia, the repayment of HK\$35,319,000 paid by SHKSL to NWD as restitution of monies received by NWD in relation to a hotel project in Kuala Lumpur, Malaysia.

NWD and its wholly-owned subsidiary, namely, Stapleton Developments Limited, subsequently issued proceedings against SHKSL, claiming, inter alia, the specific performance of SHKSL's commitment with them in respect of the development project to provide funding of HK\$115,910,000, of which HK\$18,740,000 represents interest accrued. A trial date, originally set for April 2002 was vacated at NWD's request, and a new date is to be set.

Legal costs are recorded in the income statement as incurred.

At 31st December, 2001, the Company had guarantees of HK\$1,777,023,000 (2000: HK\$1,770,405,000) given to banks in respect of credit facilities utilised by its subsidiaries and a subsidiary of jointly controlled entity of HK\$215,000,000 (2000: HK\$245,000,000).

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40. CAPITAL COMMITMENTS

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Capital expenditure contracted for but not provided for in the financial statements:		
For property development projects	37,512	73,250
Others	1,101	39,304
	38,613	112,554

The Company did not have any significant capital commitments at 31st December, 2001 and 2000.

41. OPERATING LEASE ARRANGEMENTS

The Group as Lessee

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Lease payments under operating leases recognised in the income statement for the year	17,089	3,731

At 31st December, 2001, the Group had outstanding minimum lease payments under non-cancellable operating leases, which fall due as follows:

	The Group			
	2001		2000	
	Land and buildings	Others	Land and buildings	Others
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Within one year	24,515	12,372	1,106	–
In the second to fifth years inclusive	46,438	8,980	–	–
	70,953	21,352	1,106	–

Operating leases are negotiated and payments are fixed for an average of two years.

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41. OPERATING LEASE ARRANGEMENTS (CONT'D)

The Group as Lessor

Property rental income earned during the year was HK\$56,560,000 (2000: HK\$47,390,000). The property held has committed tenants for the next two years.

At 31st December, 2001, the Group had contracted with tenants for the following future minimum lease payments:

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Within one year	38,691	43,315
In the second to fifth years inclusive	14,347	37,744
	53,038	81,059

The Company did not have any significant lease commitments as lessee or lessor under non-cancellable operating leases at 31st December, 2001 and 2000.

42. RETIREMENT BENEFIT SCHEMES

The Group operates defined contribution retirement benefit schemes for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group under provident funds managed by independent trustees.

The retirement benefits cost charged to the income statement represents contributions payable to the fund by the Group at rates specified in the rules of the schemes. Where there are employees who leave the schemes prior to vesting fully in the contributions, in accordance with the terms of the schemes, the contributions payable by the Group are reduced by the amount of forfeited employer's contributions.

At 31st December, 2001 and 2000, there were no material forfeited contributions which arose when employees left the retirement benefit schemes before they were fully vested in the contributions and which were available to reduce the contributions payable by the Group in the future years.

The schemes have now been closed to new employees as a consequence of the Mandatory Provident Fund Schemes Ordinance introduced by the Hong Kong Government.

From 1st December, 2000 onwards, the new staff in Hong Kong joining the Group are required to join the Mandatory Provident Fund Scheme ("MPF Scheme"). The Group is required to contribute 5%, while the employees are required to contribute 5% of their salaries to the MPF Scheme.

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43. PLEDGE OF ASSETS

At 31st December, 2001, certain of the Group's investment properties, hotel property, land and buildings, properties under development, properties under development for sale, properties held for sale and bank deposits with an aggregate carrying value of HK\$3,406,179,000 (2000: HK\$3,521,497,000), certain securities in respect of a listed subsidiary with a cost of HK\$1,607,866,000 (2000: HK\$1,527,728,000) and listed investments belonging to the Group and margin clients with an aggregate carrying value of HK\$3,798,857,000 (2000: Nil) were pledged to secure loans and general banking facilities to the extent of HK\$4,276,159,000 (2000: HK\$1,981,794,000) granted to the Group. Facilities amounting to HK\$2,431,911,000 (2000: HK\$1,759,711,000) were utilised at 31st December, 2001.

At 31st December, 2001 and 2000, the Company had not pledged any assets.

44. RELATED PARTY TRANSACTIONS AND BALANCES

The following is a summary of the significant transactions and balances with related parties during the year and as at year end.

(a) Summary of income and expenses items

	(Income)/Expenses	
	2001	2000
	HK\$'000	HK\$'000
Underwriting commission paid to the ultimate holding company (Note)	2,660	–
Corporate management services, calculated at 0.5% of the Group's net assets to the ultimate holding company	24,899	27,813
Rent, property management and air-conditioning fees from the ultimate holding company	(3,514)	(3,447)
Dividend income from a fellow subsidiary	(12,200)	–
Dividend income from a jointly controlled entity	(47,000)	(30,000)
Property management and air-conditioning fees and other property related service fees from a jointly controlled entity	(14,862)	(15,383)
Administration and management fees from a jointly controlled entity	(1,860)	(1,360)
Rent, property management and air-conditioning fees to a jointly controlled entity	3,137	5,128
Dividend income from associates	(7,344)	(30,847)
Rent, property management, air-conditioning fees and other related service fees from an associate	(1,789)	(1,070)
Interest income from an associate	(11,318)	(7,359)

(b) During the year, both the Group and a joint venture partner, each having a 50% interest in a jointly controlled entity, received and repaid various interest free loans from such jointly controlled entity. At 31st December, 2001, the amounts lent to the Group totalled HK\$118,000,000 (2000: HK\$151,500,000).

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44. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

- (c) Throughout the year, the Group had a guarantee outstanding which was provided to banks in respect of credit facilities utilised by a wholly-owned subsidiary of a jointly controlled entity. The guarantee provided was in proportion to the Group's interest in the jointly controlled entity and the amount at 31st December, 2001 was HK\$215,000,000 (2000: HK\$245,000,000).
- (d) During the year, a subsidiary had guarantees provided for banking and loan facilities of HK\$125,000,000 (2000: Nil) to a subsidiary of a jointly controlled entity.
- (e) During the year, an amount of HK\$15,053,000 being the loan principal and the accrued interest thereon was repaid by a subsidiary of an associate. The amount was originally scheduled to be repaid or capitalised by way of issuing the share capital of that subsidiary of the associate to a subsidiary of the Group on or before 15th August, 2000.

In addition to the above amount, the Group also received HK\$7,059,000 representing the outstanding amount together with the accrued interest thereon due by that subsidiary of the associate.

- (f) During the year, the Group acquired three indirect wholly-owned subsidiaries of a jointly controlled entity for an aggregate consideration of HK\$62,557,000.
- (g) During the year, two properties held by a subsidiary of the Company was disposed of to a subsidiary of an associate and a jointly controlled entity of that associate for considerations of RMB5,000,000 (equivalent to HK\$4,713,000) and HK\$9,491,000 respectively.
- (h) On 20th December, 2001, the Company announced that a tenancy agreement had been entered into between Hillcrest Development Limited ("Hillcrest"), a wholly-owned subsidiary of the Company, as the landlord and Allied Group, the controlling shareholder of the Company, as the tenant for the renewal of a lease of 60 Plantation Road, The Peak, Hong Kong for a term of two years commencing from 1st January, 2002 to 31st December, 2003 at a monthly rental of HK\$200,000. The rental was based on the prevailing market rental as reviewed by an independent firm of international property consultants. The Directors (including the Independent Non-Executive Directors) of the Company were of the view that the terms and conditions of the tenancy agreement were fair and reasonable.

Apart from the tenancy agreement between Hillcrest and Allied Group, none of the above related party transactions constitutes a discloseable connected transaction as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

Note:

In June 2001, a total of 1,450,269,712 new shares were allotted by the Company by way of rights issue of HK\$0.20 each in the capital of the Company at a subscription price of HK\$0.25 per share as detailed in the prospectus dated 30th May, 2001 to shareholders. Pursuant to an underwriting agreement made between the ultimate holding company and the Company, the ultimate holding company agreed to act as the underwriter of the rights issue and in return, a 2% underwriting commission equivalent to HK\$2,660,000 was paid to the ultimate holding company. Out of the total net proceeds (after deduction of expenses) of HK\$358,714,000, HK\$112,000,000 was used to set off against the amount due by the Company to the ultimate holding company and the remaining balance was applied for reducing the Group's debt and as general working capital of the Group.

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44. RELATED PARTY TRANSACTIONS AND BALANCES (CONT'D)

The net balances due from/(to) related parties at 31st December, 2001 and 2000 are summarised as follows:

	The Group		The Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Ultimate holding company	(13,996)	(103,622)	(13,996)	(103,622)
Associates	328,645	91,279	2,404	2,410
Jointly controlled entities	(21,391)	(150,624)	–	–
	<u>293,258</u>	<u>(162,967)</u>	<u>(11,592)</u>	<u>(101,212)</u>

The above amounts are included in the balance sheet of the Group and the Company in the following ways:

	The Group		The Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Interest in associates	277,492	26,706	–	–
Interest in jointly controlled entities	90,000	1,190	–	–
Accounts receivable due after one year	–	72,187	–	–
Accounts receivable, deposits and prepayments	15,358	2,626	2,404	2,410
Amounts due from associates	72,805	–	–	–
Amount due from a jointly controlled entity	1,763	–	–	–
Accounts payable and accrued charges	(507)	(284)	–	–
Amount due to Allied Group Limited	(13,996)	(103,622)	(13,996)	(103,622)
Amounts due to associates	(31,557)	(9,951)	–	–
Amount due to a jointly controlled entity	(118,100)	(151,819)	–	–
	<u>293,258</u>	<u>(162,967)</u>	<u>(11,592)</u>	<u>(101,212)</u>

The above transactions have been entered into on terms agreed by the parties concerned.

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45. MATURITY PROFILE OF TERM ASSETS AND LIABILITIES

The following table list the assets and liabilities of the Group which have a term of maturity. Overdue assets are reported as on demand.

	At 31st December, 2001					Total HK\$'000
	On demand HK\$'000	Within 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	After 5 years HK\$'000	
Assets						
Fixed deposits with banks	-	100,442	-	-	-	100,442
Convertible loan note and promissory note of a listed associate	-	-	110,202	145,000	-	255,202
Accounts receivable due after one year	-	-	-	167,453	-	167,453
Term loans	276,878	358,682	551,816	-	-	1,187,376
Marketable debt securities	-	12,828	-	-	-	12,828
Liabilities						
Bank loans and overdrafts	-	982,078	616,932	383,701	494,378	2,477,089
At 31st December, 2000						
	On demand HK\$'000	Within 3 months HK\$'000	3 months to 1 year HK\$'000	1 year to 5 years HK\$'000	After 5 years HK\$'000	Total HK\$'000
Assets						
Fixed deposits with banks	-	16,756	-	-	-	16,756
Accounts receivable due after one year	-	-	-	72,187	-	72,187
Term loans	93,288	-	-	-	-	93,288
Liabilities						
Bank loans and overdrafts	-	421,297	474,754	634,356	273,508	1,803,915

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46. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Particulars of the Company's principal subsidiaries at 31st December, 2001 which have their principal place of operations in Hong Kong are set out below:

Subsidiaries	Paid up issued ordinary share capital HK\$	Proportion of nominal value of issued capital		Principal activity
		held by the Company*/ subsidiaries %	attributable to the Group %	
Alaston Development Limited	US\$1	100	100	Property holding
Allied Real Estate Agency Limited	2	100	100	Real estate agency
AP Administration Limited	2	100	100	Provision of management and consultancy services
AP Corporate Services Limited	2	100	100	Provision of corporate services
AP Development Limited	2	100 *	100	Investment holding
AP Diamond Limited	US\$1	100	100	Property development
AP Emerald Limited	US\$1	100	100	Investment holding
AP Finance Limited	2	100	100	Money lending
AP Property Management Limited	2	100	100	Building management
Bali International Finance Limited +	137,500,000	100	52	Financial service and investment holding
Best Melody Development Limited	5,000	100	100	Property holding
Cheeroll Limited +	2	100	52	Share trading
China Direction Investments Limited +	4,500,000	67	35	Share trading and investment holding
Citymark Limited	2	100	100	Property development
Cowslip Company Limited +	2	100	52	Investment holding
Fame Arrow Company Limited	100,000	95	95	Loan financing
Florich Development Limited	10,000	100	100	Investment holding
Front Sail Limited	5,000	100	100	Property holding
Gloria (Nominees) Limited +	200	100	52	Investment holding
Gloxin Limited +	2	100	52	Investment holding
Hilarious (Nominees) Limited +	10,000	100	52	Investment holding
Hillcrest Development Limited	20	100	100	Property holding
Hi-Link Limited	200	100	100	Investment holding
Integrated Custodian Limited	2	100	100	Property holding
Itso Limited +	2	100	52	Share trading
Jaffe Development Limited	US\$1	100	100	Property holding
King Policy Development Limited	2	100	100	Property holding
Lexshan Nominees Limited +	2	100	52	Nominee service
Macdonnell (Nominees) Limited +	10,000	100	52	Investment holding

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46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

Subsidiaries	Paid up issued ordinary share capital HK\$	Proportion of nominal value of issued capital		Principal activity
		held by the Company*/ subsidiaries %	attributable to the Group %	
Maxplan Investment Limited	2	100	100	Securities trading
Mightyton Limited	10,000	100	100	Property holding
Oakfame Investment Limited +	2	100	52	Investment holding
Ontone Limited	2	100	100	Hotel operations and property holding
Pine Most Limited +	2	67	35	Property holding
Pioneer Score Development Limited +	2	100	52	Investment holding
Plentiwind Limited +	2	100	52	Futures trading
Polyking Services Limited	2	100	65	Building maintenance and cleaning services
Protech Property Management Limited	5,000	100	65	Building management
Quick Art Limited +	3,540,000	100	52	Share trading and property holding
Ranbridge Finance Limited +	20,000,000	100	52	Money lending
San Pack Properties Limited	10	100	100	Property holding
Scienter Investments Limited +	20	100	52	Share trading
SHK Financial Data Limited +	100	51	27	Provision of financial information service
SHK Financial Management Nominee Limited +	2	100	52	Nominee service
SHK Fund Management Limited +	5,000,000	100	52	Funds management and securities business development
SHK Online (Securities) Limited +	10,000,000	100	52	Online securities broking and margin financing
SHK Online Limited +	20,000,000	100	52	Online financial services
SHK Pearl River Delta Investment Company Limited +	75,000,000	100	52	Investment holding
Sierra Joy Limited	2	100	100	Property holding
Splendid Gain Limited +	2	100	52	Investment holding
Sun Hing Bullion Company Limited +	5,000,000	100	52	Bullion trading
Sun Hung Kai & Co. Limited ** +	300,844,693	52	52	Investment holding
Sun Hung Kai (Nominees) Limited +	200	100	52	Nominee service

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46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

Subsidiaries	Paid up issued ordinary share capital HK\$	Proportion of nominal value of issued capital		Principal activity
		held by the Company*/ subsidiaries %	attributable to the Group %	
Sun Hung Kai Bullion Company Limited +	30,000,000	100	52	Bullion trading
Sun Hung Kai Commodities Limited +	80,000,600	100	52	Commodities broking
Sun Hung Kai Financial Management Limited +	5,000,000	100	52	Investment advisory, financial planning and wealth management
Sun Hung Kai Forex Limited +	150,000,000	100	52	Foreign exchange trading
Sun Hung Kai Insurance Consultants Limited +	1,000,000	100	52	Insurance broking
Sun Hung Kai International Commodities Limited +	5,000,000	100	52	Commodities dealer
Sun Hung Kai International Limited +	10,000,000	100	52	Corporate finance service
Sun Hung Kai Investment Services Limited +	200,000,000	100	52	Share broking
Sun Hung Kai Research Limited +	10,000	100	52	Securities research service
Sun Hung Kai Securities (Overseas) Limited +	60,000	100	52	Investment holding
Sun Hung Kai Securities (Trustees) Limited +	3,000,000	100	52	Provision of trustee service
Sun Hung Kai Securities Capital Markets Limited +	1,000	100	52	Investment holding
Sun Hung Kai Securities Limited +	124,898,589	100	52	Investment holding
Sun Hung Kai Venture Capital Limited +	2	100	52	Investment holding
Sun Tai Cheung Credits Limited +	150,000,000	100	52	Share margin financing
Sun Tai Cheung Finance Company Limited +	25,000,000	100	52	Financial service
Texgulf Limited +	20	100	52	Property holding
To Wan Development Company Limited +	10,000	100	52	Investment holding
Tung Wo Investment Company, Limited +	10,000	100	52	Investment holding

for the year ended 31st December, 2001

46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

Subsidiaries	Paid up issued ordinary share capital HK\$	Proportion of nominal value of issued capital		Principal activity
		held by the Company*/ subsidiaries %	attributable to the Group %	
		Wah Cheong Development Company, Limited +	25,100,000	
Wineur Secretaries Limited +	2	100	52	Secretarial service

With the exception of Alaston Development Limited, AP Diamond Limited, AP Emerald Limited and Jaffe Development Limited, which were incorporated in the British Virgin Islands, all the above subsidiaries were incorporated in Hong Kong.

Particulars of the Company's principal subsidiaries at 31st December, 2001 which were incorporated and have their principal place of operations outside Hong Kong are set out below:

Subsidiaries	Place of incorporation/ operation	Paid up issued ordinary share capital %	Proportion of nominal value of issued capital		Principal activity
			held by the Company*/ subsidiaries %	attributable to the Group %	
			Allied Land (Shenzhen) Limited	British Virgin Islands	
Allied Properties China Limited	Cayman Islands	US\$1,000	100 *	100	Investment holding
Best Delta International Limited +	British Virgin Islands	US\$1	100	52	Investment holding
Boneast Assets Limited +	British Virgin Islands	US\$1	100	52	Investment holding
Constable Development S.A. +	Panama	US\$5	100	52	Investment holding
Elecrent Consultants Limited	British Virgin Islands	US\$1	100	100	Investment holding
I-Market Limited +	British Virgin Islands	US\$1	100	52	Investment holding
Kenworld Corporation	Republic of Liberia	US\$1	100	100	Investment holding
Lakewood Development Corporation +	United States of America	US\$1,000	100	100	Property development and management
Ranbridge, Inc. +	The Philippines	Peso5,385,000	100	52	Money lending

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46. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

Subsidiaries	Place of incorporation/ operation	Paid up issued ordinary share capital %	Proportion of nominal value of issued capital		Principal activity
			held by the Company* / subsidiaries %	attributable to the Group	
Shipsape Investments Limited +	British Virgin Islands	US\$1	100	52	Investment holding
Sun Hung Kai Capital Markets (Cayman) Limited +	Cayman Islands	US\$1	100	52	Financial product origination
Sun Hung Kai Credit, Inc. +	The Philippines	Peso 275,000,000	100	52	Money lending
Sun Hung Kai International Investment Management Limited +	British Virgin Islands	US\$50,000	100	52	Investment holding
Sun Hung Kai Investment Services (Macau) Limited +	Macau	MOP1,000,000	100	52	Financial service
Sun Hung Kai Online Limited +	British Virgin Islands	US\$1	100	52	Online service
Sun Hung Kai Securities (Bermuda) Limited +	Bermuda	US\$12,000	100	52	Investment holding and management service
Sun Hung Kai Securities (Phil.), Inc. +	The Philippines	Peso 273,600,000	100	52	Share broking
Swan Islands Limited +	British Virgin Islands	US\$1	100	52	Investment holding
Tailwind Consultants Limited +	British Virgin Islands	US\$1	100	52	Investment holding
Upper Selection Investments Limited +	British Virgin Islands	US\$1	100	52	Investment holding
Upstand Assets Limited +	British Virgin Islands	US\$1	100	52	Investment holding

** This subsidiary is listed in Hong Kong and further details about this subsidiary are available in its published accounts.

The above tables list the subsidiaries of the Company which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

+ Companies not audited by member firms of Deloitte Touche Tohmatsu.

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47. PARTICULARS OF PRINCIPAL ASSOCIATES

Particulars of the Group's principal associates at 31st December, 2001 are set out below:

Associates	Place of incorporation/ operation	Proportion of nominal value of issued capital		Principal activity
		held by subsidiaries %	attributable to the Group %	
Chronicle Gain Limited +	Hong Kong	45	24	Property holding
Drinkwater Investment Limited +	Hong Kong	22	12	Property holding
Omicron International Limited +	British Virgin Islands	38	20	Investment holding
Real Estate Investments (N.T.) Limited +	Hong Kong	40	21	Property development
Shanghai Orient-Sun International Investment Management Co., Ltd. +	People's Republic of China	49	26	Consultancy service in equity and direct investments
Silver York Development Limited +	Hong Kong	40	21	Property development
Start Hold Limited +	Hong Kong	33	17	Investment holding
Tian An China Investments Company Limited **	Hong Kong	43	22	Investment holding
Yu Ming Investments Limited **+	Hong Kong	21	11	Investment holding

** These associates are listed in Hong Kong and further details about these associates are available in their published audited accounts.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the Directors, result in particulars of excessive length.

+ Companies not audited by member firms of Deloitte Touche Tohmatsu.

48. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITIES

Particulars of the Group's principal jointly controlled entities at 31st December, 2001 are set out below:

Jointly controlled entities	Place of incorporation/ operation	Proportion of nominal value of issued capital		Principal activity
		held by subsidiaries %	attributable to the Group %	
Allied Kajima Limited	Hong Kong	50	50	Property and investment holding
Earnest Finance Limited	British Virgin Islands	50	26	Investment holding

The above table lists the jointly controlled entities of the Group which, in the opinion of the Directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other jointly controlled entities would, in the opinion of the Directors, result in particulars of excessive length.