

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”).

In May 2001, Allied Properties (H.K.) Limited (“Allied Properties”), the Company’s listed subsidiary, 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 and provides corporate management services. The principal activities of its principal subsidiaries, associates and a jointly controlled entity at 31st December, 2001 are set out in notes 48, 49 and 50 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.

Segment reporting

In the current year, the Group has changed its basis of identification of reportable segments to that required by SSAP 26. Comparative information has been restated on a consistent basis.

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 the acquisition of an associate or a jointly controlled entity is deducted from the carry 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 rentals invoiced in advance from properties under operating leases, is recognised on a straight line basis over the terms of the relevant leases.

Sales of goods are recognised when goods are delivered and title has passed.

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 transaction traded on or before 31st December each year.

Interest income receivable from customers is recognised in the income statement on a time basis by reference to the principal outstanding and at the interest rate applicable, except in the case of loans which are overdue 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 shareholder's right to receive payment has been established.

Profits and 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Operating leases

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

Bad and doubtful debts

Allowance for bad and doubtful debts are made, having regard to those losses that, although not yet specifically identified, are known from experience to be present in the Group's portfolio of loans and advances. In determining the level of allowance required, management considers numerous factors including but not limited to, domestic and international economic conditions, the composition of the loan portfolio and prior loan loss experience.

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 assets is increased to the revised estimate of this 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Fixed assets

Fixed assets, other than investment properties and hotel properties, are stated at cost less depreciation and impairment loss. Leasehold 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.

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:

Long-term leasehold land	Over the remaining terms of the leases
Medium-term leasehold land	4%
Buildings	2% to 3% or over the remaining terms of the leases, if less than 50 years
Leasehold improvements	20% to 33.3% or the term of the leases, if shorter
Furniture, fixtures and equipment	10% to 50%
Plant and machinery	7.5% to 13%
Motor vehicles and vessels	10% to 25%

The profit or loss arising on the disposal or retirement of an item of fixed assets is determined as the difference between the sales 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investment properties/hotel properties (Cont'd)

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 property 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 on 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.

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 cost 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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Interest in associates (Cont'd)

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.

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

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.

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Investments in securities (Cont'd)

Non-trading securities are measured at fair value at subsequent reporting dates. Any unrealised gains and losses are dealt with in the investments 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 rental 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 borrowings 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 goods, properties and property based investments, securities trading, consumer finance, term loans and other financial assets, property rental and property management services, income from hotel operations, provision of consultancy and other services, brokerage and commission income from securities, service fee 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 on loans and advances to consumer finance customers	1,010,406	839,083
Other interest income	223,087	75,253
Property rental and management services	123,745	116,786
Sale of properties and property based investments	98,760	97,953
Securities trading	80,230	136,476
Securities broking	77,635	–
Dividend income	49,412	260
Income from forex, bullion, commodities and futures	39,195	–
Hotel operating income	19,452	–
Income from corporate finance and others	20,594	57
Sales of goods	1,258	1,652
	1,743,774	1,267,520

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
- Consumer finance – providing consumer loan finance products
- Property development and investment – development and sale of properties, properties rental and property management service, and hotel operation
- Corporate and other operations – including corporate revenue and expenses and results of unallocated operations

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)

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

	2001				Total HK\$'000
	Investment, broking and finance HK\$'000	Consumer finance HK\$'000	Property development and investment HK\$'000	Corporate and other operations HK\$'000	
Turnover	523,737	1,010,406	242,994	50,547	1,827,684
Less: inter-segment turnover	(39,085)	–	(1,037)	(43,788)	(83,910)
	<u>484,652</u>	<u>1,010,406</u>	<u>241,957</u>	<u>6,759</u>	<u>1,743,774</u>
Profit (loss) from operations	130,859	382,627	(284,045)	18,779	248,220
Other finance costs					(111,391)
Release of goodwill and negative goodwill					63,460
Amortisation of capital reserve					20,417
Share of results of associates					123,505
Share of results of jointly controlled entities	298	–	50,915	–	51,213
Profit before taxation					395,424
Taxation					(95,366)
Profit after taxation					<u>300,058</u>
Segment assets	3,276,007	2,561,078	3,511,693	13,571	9,362,349
Interests in associates					2,137,524
Interests in jointly controlled entities	–	–	1,345,110	–	1,345,110
Tax reserve certificates					3,557
Total assets					<u>12,848,540</u>
Segment liabilities	1,796,231	726,835	1,563,616	7,595	4,094,277
Taxation					19,477
Deferred taxation					13,277
Total liabilities					<u>4,127,031</u>
Other information					
Depreciation	12,901	11,607	5,693	141	30,342
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
Bad and doubtful debts	24,528	345,851	2,901	–	373,280
Capital expenditure	37,823	15,444	107,524	70	160,861

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5. SEGMENTAL INFORMATION (CONT'D)

	2000				Total HK\$'000
	Investment, broking and finance HK\$'000	Consumer finance HK\$'000	Property development and investment HK\$'000	Corporate and other operations HK\$'000	
Turnover	228,807	839,083	215,587	38,168	1,321,645
Less: inter-segment turnover	(21,864)	–	(848)	(31,413)	(54,125)
	<u>206,943</u>	<u>839,083</u>	<u>214,739</u>	<u>6,755</u>	<u>1,267,520</u>
(Loss) profit from operations	(44,781)	495,688	(555,478)	26,919	(77,652)
Other finance costs					(100,891)
Warrant reserve released on warrants expired during the year					43,487
Share of results of associates					88,099
Share of results of jointly controlled entities	–	–	63,368	–	63,368
Profit before taxation					16,411
Taxation					(96,058)
Loss after taxation					<u>(79,647)</u>
Segment assets	316,071	2,170,397	3,623,175	190,291	6,299,934
Interests in associates					1,968,733
Interests in jointly controlled entities	–	–	1,517,152	–	1,517,152
Tax reserve certificates					5,057
Total assets					<u>9,790,876</u>
Segment liabilities	647,682	649,172	1,494,281	8,487	2,799,622
Taxation					40,457
Deferred taxation					9,789
Total liabilities					<u>2,849,868</u>
Other information					
Depreciation	2,093	5,813	3,054	1,077	12,037
Impairment losses	25,461	–	396,749	–	422,210
Deficit arising on revaluation of properties	–	–	163,713	–	163,713
Bad and doubtful debts	3,483	132,422	–	–	135,905
Capital expenditure	458	9,189	252,455	463	262,565

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5. SEGMENTAL INFORMATION (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, contribution to profit from 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	313,796
Non-trading securities	11,482	25,461
Properties held for sale	500	11,022
Properties under development	–	71,931
	<u>92,982</u>	<u>422,210</u>
Deficits arising on revaluation of investment properties and hotel property	<u>251,036</u>	<u>163,713</u>
	<u>344,018</u>	<u>585,923</u>

7. BAD AND DOUBTFUL DEBTS

	2001 HK\$'000	2000 HK\$'000
Bad debts written off	335,183	123,038
Allowance for doubtful debts	50,970	24,146
Bad debts recovered	(12,873)	(11,279)
	<u>373,280</u>	<u>135,905</u>

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8. PROFIT (LOSS) FROM OPERATIONS

	2001	2000
	HK\$'000	HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Auditors' remuneration		
Current year	5,000	2,589
Under (over) provision in previous years	164	(69)
	5,164	2,520
Amortisation of intangible assets (included in other operating expenses)	1,108	–
Depreciation	30,342	12,037
Loss on disposal of fixed assets	1,242	–
Net realised loss on derivatives	1,548	–
Net unrealised loss on trading securities	–	43,602
Retirement benefit scheme contributions, net of forfeited contributions of HK\$4,059,000 (2000: HK\$1,091,000) (note 44)	8,940	5,442
Staff costs (including Directors' emoluments but excluding retirement benefit scheme contributions)	265,153	146,070
Translation differences released in connection with the winding up of subsidiaries	–	43,000
and after crediting:		
Dividend income from investments in listed securities	21,012	260
Dividend income from investments in unlisted securities	28,400	–
Net realised profit on trading securities	6,273	13,642
Profit on disposal of non-trading securities	12,998	558
Profit on dealing in foreign currencies	6,117	–
Net unrealised profit on trading securities	17,664	–
Net unrealised profit on derivatives	1,056	–
Profit on disposal of investment properties	7,690	19,984
Profit on disposal of a jointly controlled entity	–	4,820
Profit on disposal of subsidiaries	180	10,330
Profit on disposal of fixed assets	–	143
Rental income from investment properties under operating leases, net of outgoings of HK\$15,463,000 (2000: HK\$15,716,000)	42,346	32,824

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9. INFORMATION REGARDING DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' emoluments

	2001 HK\$'000	2000 HK\$'000
Fees:		
Independent Non-Executive Directors	19	–
Other emoluments:		
Executive Directors:		
Salaries and other benefits	5,915	6,313
Retirement benefit scheme contributions	108	64
	<u>6,023</u>	<u>6,377</u>
Independent Non-Executive Directors:		
Salaries and other benefits	4,345	2,421
Retirement benefit scheme contributions	68	–
	<u>4,413</u>	<u>2,421</u>
	<u>10,455</u>	<u>8,798</u>

The emoluments of the Directors were within the following bands:

	Number of Directors	
	2001	2000
HK\$Nil – HK\$1,000,000	4	7
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	–
HK\$4,000,001 – HK\$4,500,000	–	1
HK\$4,500,001 – HK\$5,000,000	1	–
	<u>1</u>	<u>–</u>

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9. 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 8(a) above. The emoluments of the remaining four (2000: four) individuals are as follows:

	2001	2000
	HK\$'000	HK\$'000
Salaries and other benefits	12,083	10,932
Performance related incentive payments	4,215	9,800
Retirement benefit scheme contributions	531	491
	<u>16,829</u>	<u>21,223</u>

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

	Number of employees	
	2001	2000
HK\$1,500,001 – HK\$2,000,000	–	1
HK\$3,000,001 – HK\$3,500,000	2	1
HK\$3,500,001 – HK\$4,000,000	1	1
HK\$6,500,001 – HK\$7,000,000	1	–
HK\$12,000,001 – HK\$12,500,000	–	1
	<u> </u>	<u> </u>

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10. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank borrowings wholly repayable within five years	128,748	182,387
Other borrowings wholly repayable within five years	16,509	24,902
Bank borrowings not wholly repayable within five years	49,781	16,348
	<u>195,038</u>	<u>223,637</u>
Less: Amount capitalised in respect of properties under development and properties under development for sale	(28,182)	(73,662)
	<u>166,856</u>	<u>149,975</u>
Total finance costs included in:		
Cost of sales	55,465	49,084
Other finance costs	111,391	100,891
	<u>166,856</u>	<u>149,975</u>

11. TAXATION

	2001 HK\$'000	2000 HK\$'000
The charge comprises:		
Hong Kong Profits Tax:		
Current year	74,311	84,000
Overprovision in previous years	(2,534)	(199)
	<u>71,777</u>	<u>83,801</u>
Taxation outside Hong Kong	295	3
Deferred taxation (note 34)	1,275	-
Share of taxation attributable to associates	17,895	9,248
Share of taxation attributable to jointly controlled entities	4,124	3,006
	<u>95,366</u>	<u>96,058</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 34.

for the year ended 31st December, 2001

12. PROFIT (LOSS) ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's profit attributable to shareholders of HK\$103,437,000 (2000: loss of HK\$119,174,000), a profit of HK\$18,268,000 (2000: HK\$87,000) has been dealt with in the financial statements of the Company.

13. DIVIDEND

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

14. EARNINGS (LOSS) PER SHARE

The calculation of the basic earnings (loss) per share is based on the profit attributable to shareholders of HK\$103,437,000 (2000: loss of HK\$119,174,000) and on the weighted average number of 3,421,373,908 (2000: 3,422,308,745) shares in issue during the year.

Diluted earnings per share for the year is not shown as the Company has no dilutive potential ordinary shares during the year. No diluted loss per share for the year 2000 is presented as the warrants and share options have no dilutive effect for that year.

for the year ended 31st December, 2001

15. FIXED ASSETS

	Investment properties HK\$'000	Hotel property HK\$'000	Land and buildings HK\$'000	Leasehold improve- ments HK\$'000	Furniture, fixtures and equipment HK\$'000	Plant and machinery HK\$'000	Motor vehicles and vessels HK\$'000	Total HK\$'000
The Group								
Cost or valuation								
At 1st January, 2001	2,019,000	435,015	48,119	39,814	56,137	401	27,279	2,625,765
Exchange adjustments	-	-	-	(11)	(8)	-	(2)	(21)
Acquisition of subsidiaries	83,599	-	87,536	29,725	54,818	-	1,360	257,038
Additions	66,966	-	-	25,356	23,846	-	781	116,949
Disposals	(70,031)	-	(9,576)	(9,203)	(12,367)	-	(2,984)	(104,161)
Overprovision of construction cost	-	(110)	-	-	-	-	-	(110)
Deficit arising on revaluation	(226,734)	(24,302)	-	-	-	-	-	(251,036)
At 31st December, 2001	1,872,800	410,603	126,079	85,681	122,426	401	26,434	2,644,424
Comprising:								
At cost	-	-	110,079	85,681	122,426	401	26,434	345,021
At valuation in 1985	-	-	16,000	-	-	-	-	16,000
At valuation in 2001	1,872,800	410,603	-	-	-	-	-	2,283,403
	1,872,800	410,603	126,079	85,681	122,426	401	26,434	2,644,424
Depreciation								
At 1st January, 2001	-	-	10,042	33,880	43,285	141	23,335	110,683
Exchange adjustments	-	-	-	(5)	(13)	-	(2)	(20)
Acquisition of subsidiaries	-	-	3,926	16,343	31,929	-	1,080	53,278
Provided for the year	-	-	2,246	12,182	13,955	37	1,922	30,342
Eliminated on disposals	-	-	(548)	(8,714)	(11,370)	-	(2,813)	(23,445)
At 31st December, 2001	-	-	15,666	53,686	77,786	178	23,522	170,838
Net book values								
At 31st December, 2001	1,872,800	410,603	110,413	31,995	44,640	223	2,912	2,473,586
At 31st December, 2000	2,019,000	435,015	38,077	5,934	12,852	260	3,944	2,515,082

for the year ended 31st December, 2001

15. 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	1,564,000	410,603	109,789	1,669,000	435,015	28,334
Medium-term	308,800	—	—	350,000	—	—
Mainland China						
Long-term	—	—	—	—	—	9,083
Medium-term	—	—	624	—	—	660
	1,872,800	410,603	110,413	2,019,000	435,015	38,077

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\$2,283,403,000 (2000: HK\$2,454,015,000).

In preparing these accounts, the Group has placed reliance on paragraph 80 of the 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\$112,156,000, had the property been carried at cost less depreciation.

The deficit of HK\$251,036,000 arising on revaluation during the year has been charged to the income statement.

Of the deficit of HK\$400,883,000 arising on revaluation attributable to the Group in 2000, HK\$86,374,000 had been charged against the property revaluation reserve, HK\$163,713,000 had been charged to the income statement and HK\$150,796,000 had been borne by minority interests.

for the year ended 31st December, 2001

15. FIXED ASSETS (CONT'D)

	Leasehold improvements	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Company				
Cost				
At 1st January, 2001	7,838	8,855	1,282	17,975
Additions	825	391	–	1,216
Disposals	(2,446)	(3,241)	–	(5,687)
At 31st December, 2001	<u>6,217</u>	<u>6,005</u>	<u>1,282</u>	<u>13,504</u>
Depreciation				
At 1st January, 2001	7,688	8,365	885	16,938
Provided for the year	108	308	207	623
Eliminated on disposals	(2,391)	(3,229)	–	(5,620)
At 31st December, 2001	<u>5,405</u>	<u>5,444</u>	<u>1,092</u>	<u>11,941</u>
Net book values				
At 31st December, 2001	<u>812</u>	<u>561</u>	<u>190</u>	<u>1,563</u>
At 31st December, 2000	<u>150</u>	<u>490</u>	<u>397</u>	<u>1,037</u>

for the year ended 31st December, 2001

16. INTANGIBLE ASSETS

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

17. GOODWILL

	HK\$'000
<hr/>	
The Group	
Cost	
Acquisition of a subsidiary	12,663
Increase in interest in a subsidiary	22,157
	<hr/>
At 31st December, 2001	34,820
	<hr/>
Amortisation	
Provided for the year and at 31st December, 2001	4,760
	<hr/>
Net book value	
At 31st December, 2001	30,060
	<hr/> <hr/>

for the year ended 31st December, 2001

18. NEGATIVE GOODWILL

	HK\$'000
The Group	
Gross amount	
Purchase of additional shares in subsidiaries	257,168
Acquisition of subsidiaries	249,125
At 31st December, 2001	506,293
Released to income statement	
Released during the year and at 31st December, 2001	68,220
Net book value	
At 31st December, 2001	438,073

19. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2001 HK\$'000	2000 HK\$'000
At cost, less impairment loss:		
At 1st January	121,675	3,005,076
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	–	(71,931)
At 31st December	124,172	121,675

for the year ended 31st December, 2001

19. PROPERTIES UNDER DEVELOPMENT (CONT'D)

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

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Freehold properties in the United States of America	93,506	92,421
Long-term leasehold 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.

20. INTEREST IN SUBSIDIARIES

	The Company	
	2001	2000
	HK\$'000	HK\$'000
Listed securities in Hong Kong, at cost	653,102	592,273
Unlisted shares at cost, less impairment loss	840	840
Amounts due from subsidiaries, less impairment loss	1,850,473	1,638,102
	<u>2,504,415</u>	<u>2,231,215</u>
Market value of listed securities in Hong Kong	<u>170,051</u>	<u>180,026</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 48.

for the year ended 31st December, 2001

21. INTEREST IN ASSOCIATES

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Listed securities in Hong Kong (note 21 (i))	1,927,924	1,889,428	–	–
Unlisted shares (note 21 (ii))	209,600	79,305	–	–
Unlisted shares in Hong Kong, at cost	–	–	3,000	3,000
	2,137,524	1,968,733	3,000	3,000

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	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	–	–
Amounts 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	143,122	72,167	–	–
Unamortised negative goodwill on acquisition of associates	(8,713)	–	–	–
	134,409	72,167	–	–
Amounts due from associates	75,191	7,138	–	–
	209,600	79,305	–	–

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

During the year, the Group's interest in 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.

Particulars of the Company's principal associates at 31st December, 2001 are set out in note 49.

for the year ended 31st December, 2001

21. INTEREST IN ASSOCIATES (CONT'D)

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	<u>102,782</u>

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

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

for the year ended 31st December, 2001

22. INTEREST IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	1,362,732	1,515,962
Elimination of unrealised profit	(17,622)	–
	<u>1,345,110</u>	<u>1,515,962</u>
Amount due from a jointly controlled entity	–	1,190
	<u>1,345,110</u>	<u>1,517,152</u>

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

Particulars of Allied Kajima, the Group's principal jointly controlled entity, at 31st December, 2001 are set out in note 50.

Extracts of the consolidated operating results, financial position and contingent liabilities of Allied Kajima, which are based on its 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	<u>128,824</u>	<u>93,250</u>

for the year ended 31st December, 2001

22. 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.

for the year ended 31st December, 2001

23. INVESTMENTS

	Investments in securities							
	Non-trading securities		Trading securities		Other investments		Total	
	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	–	36,947	60,296	–	–	297,402	60,296
Outside Hong Kong	1,383	–	6,010	3,617	–	–	7,393	3,617
	<u>261,838</u>	<u>–</u>	<u>42,957</u>	<u>63,913</u>	<u>–</u>	<u>–</u>	<u>304,795</u>	<u>63,913</u>
Unlisted equity securities								
Hong Kong	59,431	51,144	509	–	–	–	59,940	51,144
Outside Hong Kong	70,473	408	–	–	–	–	70,473	408
	<u>129,904</u>	<u>51,552</u>	<u>509</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>130,413</u>	<u>51,552</u>
Unlisted marketable debt securities								
Hong Kong	–	–	12,828	–	–	–	12,828	–
Unlisted financial derivative								
Hong Kong	946	–	–	10,000	–	–	946	10,000
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>–</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>120,336</u>	<u>–</u>	<u>120,336</u>	<u>–</u>
	<u>392,688</u>	<u>51,552</u>	<u>56,294</u>	<u>73,913</u>	<u>120,336</u>	<u>–</u>	<u>569,318</u>	<u>125,465</u>
Carrying amount analysed for reporting purposes as:								
Non-current	392,688	51,552	–	–	120,336	–	513,024	51,552
Current	–	–	56,294	73,913	–	–	56,294	73,913
	<u>392,688</u>	<u>51,552</u>	<u>56,294</u>	<u>73,913</u>	<u>120,336</u>	<u>–</u>	<u>569,318</u>	<u>125,465</u>

for the year ended 31st December, 2001

24. LOANS AND ADVANCES TO CONSUMER FINANCE CUSTOMERS

	The Group	
	2001 HK\$'000	2000 HK\$'000
Loans and advances to consumer finance customers	2,293,107	2,050,606
Allowance for doubtful debts	(136,325)	(101,111)
	<u>2,156,782</u>	<u>1,949,495</u>
Less: Due within one year	(1,776,014)	(1,546,148)
Due after one year	<u>380,768</u>	<u>403,347</u>

25. 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 property 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).

26. 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).

for the year ended 31st December, 2001

27. 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 to 180 days. Included in accounts receivable, deposits and prepayments are trade receivables totalling HK\$2,461,870,000 (2000: HK\$138,705,000), the aged analysis of which is as follows:

	The Group	
	2001	2000
	HK\$'000	HK\$'000
0 to 30 days	1,581,574	62,317
31 to 180 days	256,133	67,857
181 to 365 days	457,290	11,257
over 365 days	578,806	103,215
	2,873,803	244,646
Allowance for doubtful debts	(411,933)	(105,941)
	2,461,870	138,705

Included in the above balance of HK\$2,873,803,000 (2000: HK\$244,646,000) are term loans totalling HK\$1,310,576,000 (2000: HK\$148,367,000), the maturity profile of which is shown in note 47.

There were listed and 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\$7,752,136,000 (2000: Nil).

for the year ended 31st December, 2001

27. ACCOUNTS RECEIVABLE, DEPOSITS AND PREPAYMENTS (CONT'D)

On 24th November, 1999, 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 as 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 allowances 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 allowances.

for the year ended 31st December, 2001

28. 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>

29. 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	6,500,000,000	1,300,000
Issued and fully paid:		
At 1st January, 2000	3,119,349,939	623,870
Exercise of share options	1,000,000	200
Exercise of warrant subscription rights	390,388,369	78,078
Share repurchased and cancelled	(57,074,000)	(11,415)
At 31st December, 2000	3,453,664,308	690,733
Share repurchased and cancelled	(43,798,000)	(8,760)
At 31st December, 2001	<u>3,409,866,308</u>	<u>681,973</u>

During the year, the Company repurchased a total of 43,798,000 (2000: 57,074,000) of its own ordinary shares at an aggregate cost of approximately HK\$21,020,000 (2000: HK\$35,712,000) on The Stock Exchange of Hong Kong Limited. The repurchased shares were cancellable upon repurchase and accordingly the issued share capital of the Company was diminished by the nominal amount thereof. The premium on repurchase was charged against accumulated profits.

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30. REVALUATION RESERVES

	Property revaluation reserve HK\$'000	Investments revaluation reserve HK\$'000	Total HK\$'000
The Group			
At 1st January, 2000	180,234	(24,859)	155,375
(Deficit) surplus arising on revaluation	(86,374)	6,505	(79,869)
Adjustment due to overprovision for construction costs	578	–	578
Share of post-acquisition reserve movements of associates	–	28,972	28,972
Share of post-acquisition reserve movements of a jointly controlled entity	16,793	–	16,793
Released to income statement on disposals	(11,061)	(1,962)	(13,023)
At 31st December, 2000	100,170	8,656	108,826
Deficit arising on revaluation	–	(4,306)	(4,306)
Adjustment due to change in shareholding in a subsidiary	–	(5,568)	(5,568)
Share of post-acquisition reserve movements of associates	8,007	1,653	9,660
Share of post-acquisition reserve movements of a jointly controlled entity	(102,711)	–	(102,711)
Released to income statement on impairment losses for non-trading securities	–	3,846	3,846
Released on reclassification of a listed security to an associate	–	14,369	14,369
Adjustment in property revaluation reserve on reclassification of an associate to a subsidiary	10,318	–	10,318
Released to income statement on disposals	–	(6,713)	(6,713)
At 31st December, 2001	15,784	11,937	27,721

for the year ended 31st December, 2001

31. ACCUMULATED PROFITS

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 1st January	1,252,201	1,407,087	39,140	74,765
Profit (loss) attributable to shareholders	103,437	(119,174)	18,268	87
Premium on share repurchase	(12,260)	(24,297)	(12,260)	(24,297)
Transfer to capital redemption reserve on share repurchase	(8,760)	(11,415)	(8,760)	(11,415)
Transfer to capital reserve	(1,112)	–	–	–
At 31st December	1,333,506	1,252,201	36,388	39,140

The accumulated profits of the Group include HK\$91,108,000 (2000: HK\$115,495,000) retained by associates of the Group and HK\$525,355,000 (2000: HK\$525,216,000) retained by its jointly controlled entities.

The Company's reserves available for distribution to shareholders at 31st December, 2001 are represented by accumulated profits of HK\$36,388,000 (2000: HK\$39,140,000).

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32. OTHER RESERVES

	Share premium HK\$'000	Capital re- demption reserve HK\$'000	Translation reserve HK\$'000	Non dis- tributable reserve HK\$'000	Capital (goodwill) reserve HK\$'000	Warrant reserve HK\$'000	Total HK\$'000
The Group							
At 1st January, 2000	1,505,681	-	(86,387)	55,226	228,411	119,276	1,822,207
Premium on issue of shares	313,011	-	-	-	-	-	313,011
Exercise of warrants subscription rights	75,789	-	-	-	-	(75,789)	-
Transfer from accumulated profits on share repurchase	-	11,415	-	-	-	-	11,415
Acquisitions of additional interest in a subsidiary	-	-	-	-	126,640	-	126,640
Amortisation of capital reserve arising in respect of acquisition of shares in a subsidiary	-	-	-	-	(19,306)	-	(19,306)
Share of post-acquisition reserve movements of associates	-	-	278	-	(2,293)	-	(2,015)
Share of post acquisition reserve movement of jointly controlled entities	-	-	(40,028)	-	-	-	(40,028)
Exchange differences on translation of operation outside Hong Kong	-	-	(1,474)	-	-	-	(1,474)
Acquisition of additional shares in associates	-	-	-	-	74,907	-	74,907
Elimination against reserve arising on acquisition of associates	-	-	-	-	(6,909)	-	(6,909)
Released to income statement on disposal of a property based subsidiary	-	-	(480)	-	-	-	(480)
Translation differences released to income statement in connection with the winding up of subsidiaries	-	-	26,415	-	-	-	26,415
Released on expiry of warrants	-	-	-	-	-	(43,487)	(43,487)
At 31st December, 2000	<u>1,894,481</u>	<u>11,415</u>	<u>(101,676)</u>	<u>55,226</u>	<u>401,450</u>	<u>-</u>	<u>2,260,896</u>

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32. OTHER RESERVES (CONT'D)

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Translation reserve HK\$'000	Non distributable reserve HK\$'000	Capital (goodwill) reserve HK\$'000	Total HK\$'000
The Group						
At 31st December, 2000	1,894,481	11,415	(101,676)	55,226	401,450	2,260,896
Transfer from accumulated profits on share repurchase	-	8,760	-	-	-	8,760
Released on reclassification of an associate to a subsidiary	-	-	144	-	(111)	33
Amortisation of capital reserve arising in respect of acquisition of shares in subsidiaries	-	-	-	-	(35,909)	(35,909)
Share of post-acquisition reserve movements of associates	-	-	1,070	-	22	1,092
Share of post-acquisition reserve movement of a jointly controlled entity	-	-	(12,253)	-	-	(12,253)
Exchange differences on translation of operation outside Hong Kong	-	-	122	-	-	122
Released to income statement on disposal of non-trading securities	-	-	2,193	-	4,385	6,578
Released to income statement on disposal of a subsidiary	-	-	(22)	-	418	396
Transfer from accumulated profits	-	-	-	-	1,112	1,112
At 31st December, 2001	<u>1,894,481</u>	<u>20,175</u>	<u>(110,422)</u>	<u>55,226</u>	<u>371,367</u>	<u>2,230,827</u>

Non distributable reserve represents the share of a subsidiary's capital redemption reserve.

Included in capital (goodwill) reserve was goodwill of HK\$57,126,000 (2000: HK\$61,929,000), capital reserve of HK\$427,038,000 (2000: HK\$462,947,000) and statutory reserves as required under relevant rules and regulations of Mainland China of HK\$1,455,000 (2000: HK\$432,000).

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32. OTHER RESERVES (CONT'D)

	Share premium	Capital redemption reserve	Warrant reserve	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Company				
At 1st January, 2000	1,505,681	–	119,276	1,624,957
Premium on issue of shares	313,011	–	–	313,011
Exercise of warrants subscription rights	75,789	–	(75,789)	–
Transfer from accumulated profits on share repurchase	–	11,415	–	11,415
Released on expiry of warrants	–	–	(43,487)	(43,487)
At 31st December, 2000	1,894,481	11,415	–	1,905,896
Transfer from accumulated profits on share repurchase	–	8,760	–	8,760
At 31st December, 2001	1,894,481	20,175	–	1,914,656

The warrant reserve represents the proceeds received from the issue of warrants of the Company, net of warrant issue expenses less the transfer to share premium account upon the exercise of warrants.

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33. BANK AND OTHER BORROWINGS

	The Group	
	2001	2000
	HK\$'000	HK\$'000
Bank loans, overdrafts and other borrowings comprise:		
Bank loans	2,953,141	2,150,378
Overdrafts	102,347	71,502
Other borrowings	160,980	142,789
	3,216,468	2,364,669
Analysed as:		
Secured	2,962,427	2,310,666
Unsecured	254,041	54,003
	3,216,468	2,364,669
Bank loans and overdrafts are repayable as follows:		
Within one year or on demand	2,177,409	1,314,016
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
	3,055,488	2,221,880
Other borrowings repayable within one year or on demand	160,980	142,789
	3,216,468	2,364,669
Less: Amount repayable within one year and shown under current liabilities	(2,338,389)	(1,456,805)
Amount due after one year	878,079	907,864

Details of the assets of the Group and the Company pledged to secure bank and other borrowings are set out in note 45.

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34. 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 11)	1,275	-
Balance at 31st December	13,277	9,789

Deferred taxation mainly represents the taxation effect of the surplus arising on 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.

The net potential deferred tax (credit) charge arising in the year, which has not been recognised in the income statement, is as follows:

	The Group		The Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Tax effect of timing differences in relation to:				
Excess (shortfall) of tax allowances over				
depreciation	(304)	88	(9)	(56)
Tax losses utilised (incurred)	1,799	(3,274)	4,753	3,210
General allowance for bad and				
doubtful debts	(5,634)	(3,064)	-	-
Other timing differences	(686)	(686)	-	-
	(4,825)	(6,936)	4,744	3,154

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34. DEFERRED TAXATION (CONT'D)

At the balance sheet date, the net potential deferred tax asset in respect of timing differences which have not been recognised in the balance sheet, is analysed as follows:

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Tax effect of timing differences in relation to:				
(Shortfall) excess of tax allowances over depreciation	(601)	(297)	37	46
Tax losses carried forward	(37,465)	(39,264)	(7,244)	(11,997)
General allowance for bad and doubtful debts	(21,812)	(16,178)	-	-
Other timing differences	2,057	2,743	-	-
	<u>(57,821)</u>	<u>(52,996)</u>	<u>(7,207)</u>	<u>(11,951)</u>

35. AMOUNTS DUE TO SUBSIDIARIES

The amounts are unsecured, interest-free and have no fixed terms of repayment. The subsidiaries will not demand repayment in the next twelve months and the amounts are therefore shown as non-current liability.

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36. RECONCILIATION OF PROFIT (LOSS) FROM OPERATIONS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2000 HK\$'000
Profit (loss) from operations	248,220	(77,652)
Deficit arising on revaluation of properties	251,036	163,713
Impairment loss for properties under development for sale	81,000	313,796
Depreciation	30,342	12,037
Impairment loss for non-trading securities	11,482	25,461
Loss (profit) on disposal of fixed assets	1,242	(143)
Amortisation of intangible assets	1,108	-
Impairment loss for properties held for sale	500	11,022
Impairment loss for properties under development	-	71,931
Translation difference released in connection with the winding up of subsidiaries	-	43,000
Amortisation of capital reserve	(22,591)	(2,595)
Profit on disposal of non-trading securities	(12,998)	(558)
Profit on deemed acquisition of a subsidiary	(1,180)	-
Profit on disposal of an associate	(477)	-
Profit on disposal of subsidiaries/property based subsidiaries	(180)	(10,330)
Purchase of property based investment	-	(52,164)
Write back of provision for construction cost	-	(12,001)
Profit on disposal of a jointly controlled entity	-	(4,820)
Increase in properties under development for sale	(83,241)	-
Decrease in properties held for sale	9,871	-
Increase in inventories	(169)	(110)
Decrease (increase) in trading securities	17,937	(41,415)
Decrease (increase) in loan and advances to consumer finance customers	33,132	(331,675)
Decrease in accounts receivable, deposits and prepayments	349,667	142,640
Decrease (increase) in amounts due from associates	46,109	(46,109)
(Decrease) increase in accounts payable and accrued charges	(241,714)	76,686
Net cash inflow from operating activities	719,096	280,714

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37. ACQUISITION OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Fixed assets	203,760	121,733
Properties under development	–	12,998
Interest in associates	1,699,481	–
Interest in jointly controlled entities	25,859	–
Investments	966,139	–
Properties held for sale	6,375	–
Loans and advances to consumer finance customers	240,420	–
Accounts receivable, deposits and prepayments	2,759,509	67
Short-term bank deposits	58,643	–
Bank balances and cash	285,635	–
Accounts payable and accrued charges	(761,834)	(8,128)
Taxation	(25,890)	–
Bank loans and overdrafts	(921,710)	–
Amounts due to associates	(18,258)	–
Deferred taxation	(2,212)	–
Minority interests	(2,047,859)	–
	<u>2,468,058</u>	<u>126,670</u>
Goodwill on acquisition	12,663	–
Negative goodwill on acquisition	(249,125)	–
	<u>2,231,596</u>	<u>126,670</u>
Satisfied by:		
Cash	227,985	126,670
Reclassification of interest in associates	1,977,020	–
Reclassification of interest in jointly controlled entities	26,591	–
	<u>2,231,596</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	344,278	–
	<u>(654,704)</u>	<u>(126,670)</u>

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37. ACQUISITION OF SUBSIDIARIES (CONT'D)

The subsidiaries acquired during the year contributed HK\$70,513,000 (2000: utilised 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\$24,324,000 (2000: Nil) in respect of taxation, utilised HK\$19,121,000 (2000: HK\$16,256,000) for investing activities and raised HK\$121,648,000 (2000: HK\$19,560,000) for financing activities.

38. 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, deposits 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	(22)	(480)
Goodwill reserve released upon disposal	418	–
Minority interests released upon disposal	205	(301)
Profit on disposal of subsidiaries/property based subsidiaries	180	10,330
	<u>150</u>	<u>72,187</u>
Proceeds on disposal	<u>150</u>	<u>72,187</u>
Satisfied by:		
Accounts receivable due after one year	–	72,187
Other receivable	150	–
	<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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39. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium HK\$'000	Bank and other borrowings HK\$'000	Amounts due to associates HK\$'000	Amount due to jointly controlled entities HK\$'000	Minority interests HK\$'000	Total HK\$'000
At 1st January, 2000	2,129,551	1,940,153	9,791	178,814	2,965,232	7,223,541
Exchange adjustments	-	15	-	-	(19)	(4)
Proceeds from issue of shares	391,289	-	-	-	-	391,289
Proceeds from issue of shares of a subsidiary	-	-	-	-	2	2
Amount paid on share repurchase	(35,712)	-	-	-	-	(35,712)
Transfer from warrant reserve	75,789	-	-	-	-	75,789
Premium on share repurchase	24,297	-	-	-	-	24,297
New bank and other borrowings	-	976,187	-	-	-	976,187
Repayment of bank and other borrowings	-	(641,735)	-	-	-	(641,735)
Amounts advanced from associates	-	-	160	-	-	160
Amounts advanced from a jointly controlled entity	-	-	-	3,458	-	3,458
Amounts repaid to a jointly controlled entity	-	-	-	(30,453)	-	(30,453)
Decrease due to change in shareholding in a subsidiary	-	-	-	-	(245,342)	(245,342)
Share of post-acquisition reserve movements	-	-	-	-	(84,297)	(84,297)
Dividend to minority shareholders	-	-	-	-	(46,450)	(46,450)
Disposal of property based subsidiaries	-	-	-	-	(301)	(301)
Share of results for the year	-	-	-	-	39,527	39,527
At 31st December, 2000	2,585,214	2,274,620	9,951	151,819	2,628,352	7,649,956
Acquisition of subsidiaries	-	150,713	18,258	-	2,047,859	2,216,830
Amount paid on share repurchase	(21,020)	-	-	-	-	(21,020)
Premium on share repurchase	12,260	-	-	-	-	12,260
New bank and other borrowings	-	744,081	-	-	-	744,081
Repayment of bank and other borrowings	-	(741,739)	-	-	-	(741,739)
Amounts advanced from associates	-	-	3,348	-	-	3,348
Amount repaid to a jointly controlled entity	-	-	-	(33,719)	-	(33,719)
Decrease due to changes in shareholding in subsidiaries	-	-	-	-	(359,665)	(359,665)
Share of post-acquisition reserve movements	-	-	-	-	(21,064)	(21,064)
Dividends to minority shareholders	-	-	-	-	(44,826)	(44,826)
Disposal of subsidiaries	-	-	-	-	205	205
Share of results for the year	-	-	-	-	196,621	196,621
At 31st December, 2001	2,576,454	2,427,675	31,557	118,100	4,447,482	9,601,268

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40. MAJOR NON-CASH TRANSACTIONS

- (i) 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.
- (ii) 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.

41. CONTINGENT LIABILITIES

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

- (a) The Group had guarantees of HK\$222,000,000 (2000: HK\$245,000,000) in respect of banking and loan facilities utilised by a subsidiary of a jointly controlled entity and an investee company.
- (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\$167,000,000 (2000: HK\$167,000,000) given to banks in respect of banking facilities utilised by a subsidiary, of which HK\$43,000,000 (2000: Nil) were utilised.

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42. CAPITAL COMMITMENTS

	The Group	
	2001 HK\$'000	2000 HK\$'000
Capital expenditure contracted for but not provided for in the financial statements:		
For property development projects	37,512	73,250
Others	1,209	39,360
	38,721	112,610

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

43. OPERATING LEASE ARRANGEMENTS

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
As lessee				
Lease payments under operating leases recognised in the income statement for the year	47,526	23,555	3,664	3,402

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

	The Group				The Company	
	2001		2000		2001	2000
	Land and building HK\$'000	Others HK\$'000	Land and building HK\$'000	Others HK\$'000	Land and building HK\$'000	HK\$'000
Within one year	58,859	12,372	17,323	–	7,825	4,747
In the second to fifth years inclusive	64,717	8,980	8,980	–	3,841	–
	123,576	21,352	26,303	–	11,666	4,747

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

As lessor

Property rental income earned during the year was HK\$57,809,000 (2000: HK\$48,540,000). The property held has committed tenants for the next two years.

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43. OPERATING LEASE ARRANGEMENTS (CONT'D)

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	39,356	44,512
In the second to fifth year inclusive	14,347	37,744
	<u>53,703</u>	<u>82,256</u>

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

44. 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 scheme has 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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45. PLEDGE OF ASSETS

As at 31st December, 2001, certain of the Group's investment properties, hotel property, land and buildings, properties under development, properties under development for sale and properties held for sale with an aggregate carrying value of HK\$3,363,979,000 (2000: HK\$3,542,833,000), consumer loan portfolio, bank balances and deposits of HK\$488,516,000 (2000: HK\$551,619,000), listed investments belonging to margin clients with a carrying value of HK\$3,798,857,000 (2000: Nil) together with certain securities in respect of listed subsidiaries held by the Company and its subsidiaries, the net book values of which in their respective accounts totaling HK\$3,695,815,000 (2000: HK\$3,485,400,000) were pledged to secure loans and general banking facilities to the extent of HK\$4,980,675,000 (2000: HK\$2,696,749,000) granted to the Group. Facilities amounting to HK\$2,962,427,000 (2000: HK\$2,310,666,000) were utilised at 31st December, 2001.

At 31st December, 2001, certain of the Company's interests in a listed subsidiary with an aggregate carrying value of HK\$636,239,000 (2000: HK\$576,982,000) together with certain investments of its subsidiaries, were pledged to secure banking facilities to the extent of HK\$150,000,000 (2000: HK\$150,000,000) granted to a subsidiary. Facilities amounting to HK\$43,000,000 (2000: Nil) were utilised by the subsidiary at 31st December, 2001.

46. 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)/Expense	
	2001 HK\$'000	2000 HK\$'000
Interest income on listed non-redeemable convertible loan notes		
from an associate	–	(39,029)
Dividend income from associates	(7,344)	(30,847)
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)
Interest income from associates	(12,316)	(7,359)
Rent, property management and air-conditioning fees		
and other related service fees from an associate	(1,789)	(1,070)
Rent, property management and air-conditioning fees to a		
jointly controlled entity	11,801	11,808
Insurance premiums to an associate	–	1,316
Legal and professional fees paid and payable to a firm in which		
an Independent Non-Executive Director has significant influence	–	293

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

- (b) During the year, both a subsidiary of 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 by the jointly controlled entity to the Group totalled HK\$118,000,000 (2000: HK\$151,500,000).
- (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, 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.

- (e) During the year, the Group acquired three indirectly wholly-owned subsidiaries of a jointly controlled entity for an aggregate consideration of HK\$62,557,000.
- (f) 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.

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.

- (g) 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
Associates	328,645	(85,524)	-	(117)
Jointly controlled entity	(111,391)	-	-	-
A company with a common director	-	74,529	-	-
	217,254	(10,995)	-	(117)

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

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

	The Group		The Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Interest in associates	277,492	26,706	-	-
Interest in jointly controlled entities	-	1,190	-	-
Accounts receivable due after one year	-	72,187	-	-
Accounts receivable, deposits and prepayments	15,358	5,032	-	-
Amounts due from associates	72,805	46,109	-	-
Amounts due from a jointly controlled entity	1,763	-	-	-
Accounts payable and accrued charges	(507)	(449)	-	(117)
Amounts due to associates	(31,557)	(9,951)	-	-
Amount due to a jointly controlled entity	(118,100)	(151,819)	-	-
	<u>217,254</u>	<u>(10,995)</u>	<u>-</u>	<u>(117)</u>

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

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47. MATURITY PROFILE OF TERM ASSETS AND LIABILITIES

The following table lists 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	-	356,206	-	-	-	356,206
Loans and advances to consumer finance customers	173,687	547,441	1,167,814	404,165	-	2,293,107
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	443,132	590,566	-	-	1,310,576
Marketable debt securities	-	12,828	-	-	-	12,828
Liabilities						
Bank loans and other borrowings	-	1,067,941	1,270,448	383,701	494,378	3,216,468
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	-	194,689	-	-	-	194,689
Loans and advances to consumer finance customers	32,817	510,158	1,084,221	423,410	-	2,050,606
Accounts receivable due after one year	-	-	-	72,187	-	72,187
Term loans	93,288	3,700	51,379	-	-	148,367
Liabilities						
Bank loans and other borrowings	-	431,096	1,025,709	634,356	273,508	2,364,669

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48. 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 %	
AG Capital Limited	2	100	100	Share trading, money lending and business of consultancy
Alaston Development Limited	US\$1	100	68	Property holding
Allied Aquatic Produce Development Limited	50,000,000	100*	100	Investment holding
Allied Capital Management Limited	2	100	100	Securities trading
Allied Properties (H.K.) Limited**	4,350,809,620	17* 51	68	Investment holding
Allied Real Estate Agency Limited	2	100	68	Real estate agency
AP Administration Limited	2	100	68	Provision of management and consultancy services
AP Corporate Services Limited	2	100	68	Provision of corporate services
AP Development Limited	2	100	68	Investment holding
AP Diamond Limited	US\$1	100	68	Property development
AP Emerald Limited	US\$1	100	68	Investment holding
AP Finance Limited	2	100	68	Money lending
AP Property Management Limited	2	100	68	Building management
Bali International Finance Limited+	137,500,000	100	35	Financial service and investment holding
Best Melody Development Limited	5,000	100	68	Property holding
Capscore Limited	2	100*	100	Investment holding
Cheeroll Limited+	2	100	35	Share trading
China Direction Investments Limited+	4,500,000	67	24	Share trading and investment holding
Citiwealth Investment Limited	2	100*	100	Share trading and investment holding
Citymark Limited	2	100	68	Property development
Cowslip Company Limited+	2	100	35	Investment holding
Easy Capital Investments Limited	US\$1	100	53	Investment holding
Earnest Finance Limited	100	100	44	Investment holding

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48. 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 %	
Fame Arrow Company Limited	100,000	95	64	Loan financing
Florich Development Limited	10,000	100	68	Investment holding
Front Sail Limited	5,000	100	68	Property holding
Gloria (Nominees) Limited+	200	100	35	Investment holding
Gloxin Limited+	2	100	35	Investment holding
Hilarious (Nominees) Limited+	10,000	100	35	Investment holding
Hillcrest Development Limited	20	100	68	Property holding
Hi-Link Limited	200	100	68	Investment holding
Integrated Custodian Limited	2	100	68	Property holding
Itso Limited+	2	100	35	Share trading
Jaffe Development Limited	US\$1	100	68	Property holding
Kalix Investment Limited	2	100*	100	Property holding
King Policy Development Limited	2	100	68	Property holding
Lexshan Nominees Limited+	2	100	35	Nominee service
Macdonnell (Nominees) Limited+	10,000	100	35	Investment holding
Maxplan Investment Limited	2	100	68	Securities trading
Mightyton Limited	10,000	100	68	Property holding
Oakfame Investment Limited+	2	100	35	Investment holding
Ontone Limited	2	100	68	Hotel operations and property holding
Pine Most Limited+	2	67	24	Property holding
Pioneer Alliance Limited	10,000	100*	100	Investment holding
Pioneer Score Development Limited+	2	100	35	Investment holding
Plentiwind Limited+	2	100	35	Futures trading
Polyking Services Limited	2	100	44	Building maintenance and cleaning services
Protech Property Management Limited	5,000	100	44	Building management
Quick Art Limited+	3,540,000	100	35	Share trading and property holding
Ranbridge Finance Limited+	20,000,000	100	35	Money lending
Rank Crown Investment Limited	2	100*	100	Investment holding
San Pack Properties Limited	10	100	68	Property holding
Scienter Investments Limited+	20	100	35	Share trading
SHK Financial Data Limited+	100	51	18	Provision of financial information service
SHK Finance Limited	150,000,000	100	44	Consumer financing
SHK Financial Management Nominee Limited+	2	100	35	Nominee service

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48. 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 %	
SHK Fund Management Limited+	5,000,000	100	35	Fund management and securities business development
SHK Online (Securities) Limited+	10,000,000	100	35	Online securities broking and margin financing
SHK Online Limited+	20,000,000	100	35	Online financial services
SHK Pearl River Delta Investment Company Limited+	75,000,000	100	35	Investment holding
Sierra Joy Limited	2	100	68	Property holding
Splendid Gain Limited+	2	100	35	Investment holding
Sun Hing Bullion Company Limited+	5,000,000	100	35	Bullion trading
Sun Hung Kai & Co. Limited+**	300,844,693	52	35	Investment holding
Sun Hung Kai (Nominees) Limited+	200	100	35	Nominee service
Sun Hung Kai Bullion Company Limited+	30,000,000	100	35	Bullion trading
Sun Hung Kai Commodities Limited+	80,000,600	100	35	Commodities broking
Sun Hung Kai Financial Management Limited+	5,000,000	100	35	Investment advisory, financial planning and wealth management
Sun Hung Kai Forex Limited+	150,000,000	100	35	Foreign exchange trading
Sun Hung Kai Insurance Consultants Limited+	1,000,000	100	35	Insurance broking
Sun Hung Kai International Commodities Limited+	5,000,000	100	35	Commodities dealer
Sun Hung Kai International Limited+	10,000,000	100	35	Corporate finance service
Sun Hung Kai Investment Services Limited+	200,000,000	100	35	Share broking
Sun Hung Kai Research Limited+	10,000	100	35	Securities research service
Sun Hung Kai Securities (Overseas) Limited+	60,000	100	35	Investment holding

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48. 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 Securities (Trustees) Limited+	3,000,000	100	35	Provision of trustee service
Sun Hung Kai Securities Capital Markets Limited+	1,000	100	35	Investment holding
Sun Hung Kai Securities Limited+	124,898,589	100	35	Investment holding
Sun Hung Kai Venture Capital Limited+	2	100	35	Investment holding
Sun Tai Cheung Credits Limited+	150,000,000	100	35	Share margin financing
Sun Tai Cheung Finance Company Limited+	25,000,000	100	35	Financial service
Sunhill Investments Limited	2	100*	100	Investment holding
Texgulf Limited+	20	100	35	Property holding
To Wan Development Company Limited+	10,000	100	35	Investment holding
Tung Wo Investment Company, Limited+	10,000	100	35	Investment holding
United Asia Finance Limited	137,500,000	58	53	Consumer financing
Wah Cheong Development Company, Limited+	25,100,000	100	35	Investment holding
Wineur Secretaries Limited+	2	100	35	Secretarial service

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

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

Particulars of the Company's principal subsidiaries at 31st December, 2001 which were incorporated and have their principal place of operation 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 subsidiaries %	attributable to the Group %	
Allied Land (Shenzhen) Limited	British Virgin Islands	US\$1	100	68	Investment holding
Allied Properties China Limited	Cayman Islands	US\$1,000	100	68	Investment holding
Best Delta International Limited+	British Virgin Islands	US\$1	100	35	Investment holding
Boneast Assets Limited+	British Virgin Islands	US\$1	100	35	Investment holding
Constable Development S.A.+	Panama	US\$5	100	35	Investment holding
Elecrent Consultants Limited	British Virgin Islands	US\$1	100	68	Investment holding
I-Market Limited+	British Virgin Islands	US\$1	100	35	Investment holding
Kenworld Corporation	Republic of Liberia	US\$1	100	68	Investment holding
Lakewood Development Corporation +	United States of America	US\$1,000	100	68	Property development and management
Ranbridge, Inc.+	The Philippines	Peso 5,385,000	100	35	Money lending
Shipshape Investments Limited+	British Virgin Islands	US\$1	100	35	Investment holding
Sun Hung Kai Capital Market (Cayman) Limited+	Cayman Islands	US\$1	100	35	Financial product origination
Sun Hung Kai Credit, Inc.+	The Philippines	Peso 275,000,000	100	35	Money lending
Sun Hung Kai International Investment Management Limited+	British Virgin Islands	US\$50,000	100	35	Investment holding
Sun Hung Kai Investment Services (Macau) Limited+	Macau	MOP1,000,000	100	35	Financial service

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48. PARTICULARS OF PRINCIPAL SUBSIDIARIES (CONT'D)

Subsidiaries	Place of incorporation/ operation	Paid up issued ordinary share capital	Proportion of nominal value of issued capital held by subsidiaries %	attributable to the Group %	Principal activity
Sun Hung Kai Online Limited+	British Virgin Islands	US\$1	100	35	Online service
Sun Hung Kai Securities (Bermuda) Limited+	Bermuda	US\$12,000	100	35	Investment holding and management service
Sun Hung Kai Securities (Phil.), Inc.+	The Philippines	Peso 273,600,000	100	35	Share broking
Swan Islands Limited+	British Virgin Islands	US\$1	100	35	Investment holding
Tailwind Consultants Limited+	British Virgin Islands	US\$1	100	35	Investment holding
Upper Selection Investments Limited+	British Virgin Islands	US\$1	100	35	Investment holding
Upstand Assets Limited+	British Virgin Islands	US\$1	100	35	Investment holding

** The subsidiaries are listed in Hong Kong and further details of these subsidiaries are available in its published audited 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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49. 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 attributable		Principal activity
		held by subsidiaries %	to the Group %	
Chronicle Gain Limited+	Hong Kong	45	16	Property holding
Drinkwater Investment Limited+	Hong Kong	22	8	Property holding
Omicron International Limited+	British Virgin Islands	38	13	Investment holding
Real Estate Investments (N.T.) Limited+	Hong Kong	40	14	Property development
Shanghai Orient-Sun International Investment Management Co. Ltd.+	People's Republic of China	49	18	Consultancy service in equity and direct investments
Silver York Development Limited+	Hong Kong	40	14	Property development
Start Hold Limited+	Hong Kong	33	12	Investment holding
Tian An China Investments Company Limited**	Hong Kong	43	15	Investment holding
Yu Ming Investments Limited+**	Hong Kong	21	7	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.

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50. PARTICULARS OF PRINCIPAL JOINTLY CONTROLLED ENTITY

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

Jointly controlled entity	Place of incorporation/ operation	Proportion of nominal value of issued capital attributable		Principal activity
		held by subsidiaries %	to the Group %	
Allied Kajima Limited	Hong Kong	50	34	Property and investment holding

The above table lists the jointly controlled entity 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.

51. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with current year's presentation. A summary of the major reclassifications is as follows:

- (a) In the current year, the Group's investment in Allied Kajima has been reclassified from interest in associates to interest in jointly controlled entities (note 21). 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

- (b) Following the implementation of segment reporting, an aggregate balance of HK\$1,608,406,000 has been reclassified from loans and advances due within one year such that HK\$1,546,148,000 had been reclassified to loans and advances to consumer finance customers due within one year and HK\$62,258,000 had been reclassified to accounts receivable, deposits and prepayments. In addition, the balance of HK\$403,347,000 had been reclassified from loan and advances due after one year to loans and advances to consumer finance customers due after one year.