

Notes to the Accounts

1. Principal Accounting Policies

The principal accounting policies adopted in the preparation of the accounts are set out below:

(a) Basis of Preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants (“HKSA”). The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties and investments in associated companies.

In the current year, the group adopted the following Statements of Standard Accounting Practices (“SSAPs”) issued by the HKSA which are effective for the current financial year:

SSAP 9 (revised)	:	Events after the balance sheet date
SSAP 14 (revised)	:	Leases
SSAP 26	:	Segment reporting
SSAP 28	:	Provisions, contingent liabilities and contingent assets
SSAP 30	:	Business combinations
SSAP 31	:	Impairment of assets
SSAP 32	:	Consolidated financial statements and accounting for investments in subsidiaries

The major changes to the group’s accounting policies and their effect on the group’s accounts resulting from the adoption of these SSAPs are summarised below. These changes in accounting policies have been applied retrospectively and the comparatives presented have been restated to conform with the changes in these accounting policies.

SSAP 30: Business combinations

Previously goodwill arising on the acquisition of subsidiaries was written off to reserves in the year of acquisition. Under SSAP 30, goodwill is required to be capitalised and amortised on a straight line basis over its estimated useful life not exceeding 20 years. Any impairment of the goodwill is recognised as an expense in the profit and loss account as it occurs.

The group has adopted SSAP 30 retrospectively by transferring all the goodwill previously written off against reserves of HK\$2.5 million from other reserves to retained profit as at 1st April 2000, as all these goodwill amounts would have been fully amortised had they been capitalised and amortised over 20 years. There is no impact to the group’s profit and loss accounts for the years ended 31st March 2002 and 2001 as a result of the adoption of this new SSAP.

Notes to the Accounts

1. Principal Accounting Policies (continued)

(b) Basis of Consolidation

- (i) The consolidated accounts include the accounts of the company and its subsidiaries for the year ended 31st March 2002 and the group's share of results of its associated companies and the relevant share of their post-acquisition reserves. The accounts of the associated companies used for this purpose cover a year ended not more than six months before the company's year end. Where a significant event occurs between the associates' year end and that of the group, adjustments are made in the consolidated accounts for the effect of the event.
- (ii) Subsidiaries are those entities in which the group controls more than half of the voting power, has the power to govern the financial and operating policies, to appoint or remove the majority of the members of the board of directors or to cast majority of votes at the meetings of the board of directors.
- (iii) The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.
- (iv) In the company's balance sheet the investments in subsidiaries are stated at cost less provision for impairment losses. The results of subsidiaries are accounted for by the company on the basis of dividend income.

(c) Associated Companies

An associated company is a company, not being a subsidiary, in which an equity interest is held for the long term and significant influence is exercised in its management.

Investments in associated companies are stated in the consolidated balance sheet at the group's share of net assets adjusted to reflect directors' valuation of properties held by the associated companies.

(d) Investment Securities

Investment securities are stated at cost less any provision.

The carrying amounts of individual investments are reviewed at each balance sheet date to assess whether the fair values have declined below the carrying amounts. When a decline other than temporary has occurred, the carrying amount of such securities will be reduced to its fair value. The provision is recognised as an expense in the profit and loss account.

(e) Properties for Sale and under Development

Properties for sale and under development are stated at the lower of cost, which includes interest and financial charges on loans obtained for the development of properties, and estimated net realisable value. Net realisable value is determined by reference to the price ultimately expected to be realised in the ordinary course of business less all anticipated costs.

Notes to the Accounts

1. Principal Accounting Policies (continued)

(f) Investment Properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are held for their investment potential.

Investment properties held on leases with unexpired periods greater than twenty years are valued annually by independent valuers. The valuations are on an open market value basis, related to individual properties, and separate values are not ascribed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties valuation reserve; decreases in valuation are first set off against increases on earlier valuations on a portfolio basis and thereafter are debited to operating profit. Any subsequent increases are credited to operating profit up to the amount previously debited.

Investment properties held on leases with unexpired periods of twenty years or less are depreciated over the remaining portion of the leases.

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

(g) Other Fixed Assets

Other fixed assets are stated at cost less accumulated depreciation and accumulated impairment losses. Other fixed assets are depreciated at an annual rate of 20% to write off their cost less accumulated impairment losses over their estimated useful lives on a straight line basis.

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that fixed assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised in the profit and loss account to reduce the asset to its recoverable amount.

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.

(h) Operating Leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rentals applicable to such operating leases are charged or credited to the profit and loss account on a straight line basis over the lease term.

(i) Revenue Recognition

(i) Sales of properties

Revenue on sales of properties is recognised, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the properties sold. The group considers that the significant risks and rewards of ownership are transferred when the buildings or the portions thereof contracted for sale are completed and the relevant occupation permits have been issued by the authorities.

Notes to the Accounts

1. Principal Accounting Policies (continued)

(i) Revenue Recognition (continued)

(ii) Rental income

Rental income from letting the group's portfolio of investment properties and other properties is recognised on a straight-line basis over the lease term.

(iii) Interest income

Interest income is recognised on a time proportion basis, taking into accounts the principal amounts outstanding and the interest rates applicable.

(iv) Dividend income

Dividend income is recognised when the group's right to receive payment is established.

(v) Property management fee

Property management fee is recognised when the services are rendered.

(j) Provident Fund Scheme

Contributions to the scheme by the group and employees are calculated as a percentage of employee's basic salaries. Contributions to the provident fund scheme are expensed as incurred and are reduced by contributions forfeited by those employees who leave the provident fund scheme prior to vesting fully in the contributions.

(k) Cash and Cash Equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks with original maturity period of 3 months and bank overdrafts.

(l) Foreign Currencies

Transactions in foreign currencies are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates of exchange ruling at the balance sheet date. All exchange differences are included in the determination of operating profit.

The balance sheet of subsidiaries expressed in foreign currencies are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date whilst the profit and loss account is translated at an average rate. Exchange differences are dealt with as a movement in exchange fluctuation reserve.

(m) Deferred Taxation

Deferred taxation is accounted for at the current taxation rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset is expected to be crystallised in the foreseeable future.

Notes to the Accounts

1. Principal Accounting Policies (continued)

(n) Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset.

All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

(o) Segment Reporting

In accordance with the group's internal financial reporting the group has determined that business segments be presented as the primary reporting format and geographical as the secondary reporting format.

Unallocated costs represent corporate expenses. Segment assets consist primarily of properties for sale, properties under development, fixed assets, receivables and operating cash. Segment liabilities comprise operating liabilities and exclude taxation. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, turnover, operating results, total assets and capital expenditure are based on the country in which the assets are located.

2. Turnover, Revenues and Segment Information

The group is principally engaged in property investment and development, investment holding and property management. Revenues and turnover recognised during the year comprise:

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Gross proceeds from sales of properties	188.1	162.9
Gross rental income from		
– investment properties	16.2	14.3
– other properties	71.5	56.7
Interest income	0.5	1.2
Property management fees	7.9	9.2
	284.2	244.3

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

Notes to the Accounts

2. Turnover, Revenues and Segment Information (continued)

(a) Primary reporting format – business segments

	Property development 2002 HK\$Million	Property leasing 2002 HK\$Million	Property management 2002 HK\$Million	Hotel operation 2002 HK\$Million	Investment holding 2002 HK\$Million	Group 2002 HK\$Million
Turnover	188.1	87.7	7.9	–	0.5	284.2
Segment results	(46.5)	75.0	3.8	–	(15.6)	16.7
Unallocated costs						(0.9)
Operating profit						15.8
Finance costs						(13.2)
Share of profits/(losses) of associated companies	13.1	–	–	76.2	–	89.3
Profit before taxation						91.9
Taxation						(15.2)
Profit attributable to shareholders						76.7
Segment assets	1,620.9	1,787.6	18.9	–	58.4	3,485.8
Associated companies	56.7	–	–	1,310.3	–	1,367.0
Investment securities	–	–	–	–	47.1	47.1
Total assets						4,899.9
Segment liabilities	237.7	81.6	4.5	–	3.5	327.3
Unallocated liabilities						1.3
Total liabilities						328.6
Capital expenditure	0.2	–	–	–	–	0.2
Depreciation	0.2	–	–	–	–	0.2
Provision for investment securities	–	–	–	–	15.6	15.6

Notes to the Accounts

2. Turnover, Revenues and Segment Information (continued)

(a) Primary reporting format – business segments (continued)

	Property development	Property leasing	Property management	Hotel operation	Investment holding	Group
	2001	2001	2001	2001	2001	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>	<i>HK\$Million</i>
Turnover	162.9	71.0	9.2	–	1.2	244.3
Segment results	(90.1)	62.1	5.1	–	(7.3)	(30.2)
Unallocated costs						(0.9)
Operating loss						(31.1)
Finance costs						(21.8)
Share of profits/(losses) of associated companies	(98.4)	–	–	82.9	–	(15.5)
Loss before taxation						(68.4)
Taxation						(17.0)
Loss attributable to shareholders						(85.4)
Segment assets	1,954.7	1,646.9	17.9	–	44.2	3,663.7
Associated companies	53.6	–	–	1,315.6	–	1,369.2
Investment securities	–	–	–	–	39.2	39.2
Total assets						5,072.1
Segment liabilities	440.9	84.5	13.2	–	3.4	542.0
Unallocated liabilities						3.2
Total liabilities						545.2
Capital expenditure	0.1	–	–	–	–	0.1
Depreciation	0.4	–	–	–	–	0.4
Provision against properties for sale	78.0	–	–	–	–	78.0
Provision for investment securities	–	–	–	–	7.8	7.8

Notes to the Accounts

2. Turnover, Revenues and Segment Information (continued)

(b) Secondary reporting format – geographical segments

	Turnover 2002 <i>HK\$Million</i>	Operating profit/(loss) 2002 <i>HK\$Million</i>	Total assets 2002 <i>HK\$Million</i>	Capital expenditure 2002 <i>HK\$Million</i>
Hong Kong	283.9	37.2	4,792.2	0.2
United States of America	0.3	(21.4)	107.7	–
	284.2	15.8	4,899.9	0.2
	Turnover 2001 <i>HK\$Million</i>	Operating loss 2001 <i>HK\$Million</i>	Total assets 2001 <i>HK\$Million</i>	Capital expenditure 2001 <i>HK\$Million</i>
Hong Kong	220.4	(20.7)	4,989.0	0.1
United States of America	23.9	(10.4)	83.1	–
	244.3	(31.1)	5,072.1	0.1

3. Operating Profit/(Loss)

	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>
Operating profit/(loss) is stated after charging the following:		
Auditors' remuneration	0.9	1.0
Depreciation	0.2	0.4
Operating lease rentals		
– land and buildings	5.4	5.2
Outgoings in respect of		
– investment properties	3.3	3.2
– other properties	4.1	3.3
Provident fund contributions less forfeitures	2.6	1.8
Employee costs (excluding directors' remuneration and provident fund contributions)	42.5	48.0

Notes to the Accounts

4. Employee Costs

(a) Directors' emoluments

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Fees	0.2	0.2
Salaries and other emoluments	2.9	2.9
Bonuses	0.2	0.2
Provident fund contributions	0.3	0.3
	3.6	3.6

The emoluments of the directors are analysed as follows:

	Number of directors	
	2002	2001
HK\$Nil – HK\$1,000,000	3	4
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$2,000,001 – HK\$2,500,000	1	1

Emoluments paid to independent non-executive directors amounted to HK\$60,000 during the year (2001: HK\$63,233).

Notes to the Accounts

4. Employee Costs (continued)

(b) Five highest paid individuals

The five highest paid individuals of the group included two (2001: two) directors of the company, details of whose emoluments are set out above. The emoluments of the remaining three (2001: three) highest paid employees of the group, not being a director of the company, are as follows:

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Salaries and other emoluments	2.9	3.1
Bonuses	0.2	0.2
Provident fund contributions	0.3	0.3
	3.4	3.6

The above emoluments are analysed as follows:

	Number of employees	
	2002	2001
HK\$Nil – HK\$1,000,000	1	–
HK\$1,000,001 – HK\$1,500,000	2	3

5. Finance Costs

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Finance costs comprise the following:		
Interest on bank loans and overdrafts wholly repayable within five years	13.8	36.6
<i>Less:</i> Amount capitalised to properties under development	(0.6)	(14.8)
	13.2	21.8

Notes to the Accounts

6. Taxation

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits for the year.

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Company and subsidiaries:		
Hong Kong profits tax	1.6	3.8
Deferred taxation (note 22)	1.1	(0.4)
	2.7	3.4
Associated companies:		
Hong Kong profits tax	12.5	13.6
	15.2	17.0

7. Profit/(Loss) Attributable to Shareholders

The profit attributable to shareholders is dealt with in the accounts of the company to the extent of HK\$20.6 million (2001: HK\$20.9 million).

8. Dividends

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Interim, paid, of 2 cents (2001: 2 cents) per ordinary share	12.4	12.4
Final, proposed, of 2 cents (2001: Nil) per ordinary share (note (a))	12.3	–
	24.7	12.4

Note:

- (a) At a meeting held on 27th June 2002 the directors declared a final dividend of 2 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these accounts, but will be reflected as an appropriation of retained earnings for the year ending 31st March 2002.

9. Earnings/(Loss) Per Share

The calculation of earnings/(loss) per share is based on the profit attributable to shareholders of HK\$76.7 million (2001: loss attributable to shareholders of HK\$85.4 million) and ordinary shares in issue of 617,531,425 (2001: 617,531,425).

Notes to the Accounts

10. Fixed Assets

Group

	Investment properties <i>HK\$Million</i>	Other fixed assets <i>HK\$Million</i>	Total <i>HK\$Million</i>
Cost or valuation			
At 1st April 2001	177.3	37.0	214.3
Additions	–	0.2	0.2
Disposals	–	(0.6)	(0.6)
At 31st March 2002	177.3	36.6	213.9
Accumulated depreciation			
At 1st April 2001	–	35.8	35.8
Charge for the year	–	0.2	0.2
Disposals	–	(0.6)	(0.6)
At 31st March 2002	–	35.4	35.4
Net book value			
At 31st March 2002	177.3	1.2	178.5
At 31st March 2001	177.3	1.2	178.5

Investment properties held in Hong Kong are analysed as follows:

	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>
On long term leases of over 50 years	5.3	5.3
On medium term leases of between 20 to 50 years	172.0	172.0
	177.3	177.3

The investment properties were revalued on 31st March 2002 by CB Richard Ellis Limited, an independent firm of professional valuers, on an open market value basis.

All other fixed assets are stated at cost.

Notes to the Accounts

11. Subsidiaries

Company

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Unlisted shares, at cost	2,349.2	2,349.2
Amount due from a subsidiary	545.1	536.8
	2,894.3	2,886.0

The amount due from a subsidiary is unsecured, interest free and has no fixed terms of repayment. Details of subsidiaries are shown in note 30 to the accounts.

12. Associated Companies

Group

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Share of net assets	1,303.4	1,308.5
Amounts due from associated companies less provision	63.6	60.7
	1,367.0	1,369.2

Investments in certain associated companies were revalued by the directors as at 31st March 2002 based on a valuation performed by CB Richard Ellis Limited of a hotel owned by an associated company using an existing use basis. The deficit on revaluation of HK\$19.9 million has been debited to capital reserve (note 20).

Dividends from associated companies during the year amounted to HK\$49.1 million (2001: HK\$98.2 million).

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

Other details of associated companies are shown in note 30 to the accounts.

Notes to the Accounts

13. Investment Securities

Group

	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>
Unlisted equity securities, at cost less provision	47.1	39.2

14. Mortgage Loans Receivable

Mortgage loans receivable carries interest at 1% p.a. over Hong Kong dollars prime rate with interest free periods of 18 months or 3 years from the respective date when the mortgage loans were drawn. Repayments will commence after the expiry of the interest free period and will be by instalments over a period of 10 years to 22 years thereafter.

15. Properties for Sale

At 31st March 2002, the carrying amount of properties for sale of the group that are carried at net realisable value amounted to HK\$924.3 million (2001: HK\$1,097.9 million).

16. Properties under Development

At 31st March 2002, the carrying amount of properties under development of the group that are carried at net realisable value amounted to HK\$15.7 million (2001: HK\$15.4 million).

17. Debtors, Deposits and Prepayments

Group

Ageing analysis

	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>
0-3 months	6.1	34.2
Deposits and prepayments	13.9	14.5
	20.0	48.7

The credit terms given to the customers vary and are generally based on the financial strengths of individual customers.

Notes to the Accounts

18. Creditors, Deposits and Accruals

Ageing analysis

	Group		Company	
	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>
0-3 months	–	0.9	–	–
Over 3 months	1.0	1.7	–	–
	1.0	2.6	–	–
Deposits and accruals	73.7	73.5	2.4	2.3
	74.7	76.1	2.4	2.3

19. Share Capital

	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>
Authorised:		
1,000,000,000 (2001: 1,000,000,000) ordinary shares of HK\$0.1 each	100.0	100.0
Issued and fully paid:		
617,531,425 (2001: 617,531,425) ordinary shares of HK\$0.1 each	61.7	61.7

Notes to the Accounts

20. Reserves

	Investment properties valuation reserve <i>HK\$Million</i>	Capital reserve <i>HK\$Million</i>	Exchange fluctuation reserve <i>HK\$Million</i>	Retained profits <i>HK\$Million</i>	Contributed surplus <i>HK\$Million</i>	Total <i>HK\$Million</i>
Group						
At 1st April 2000 as previously reported	42.0	969.0	0.6	2,991.4	348.0	4,351.0
Effect of the adoption of SSAP 30 (note 1(a))	–	2.5	–	(2.5)	–	–
At 1st April 2000 as restated	42.0	971.5	0.6	2,988.9	348.0	4,351.0
Translation difference	–	–	0.2	–	–	0.2
Deficit on revaluation of properties	(10.0)	–	–	–	–	(10.0)
Surplus on revaluation of associated companies	–	221.8	–	–	–	221.8
Loss for the year	–	–	–	(85.4)	–	(85.4)
Interim dividend paid	–	–	–	(12.4)	–	(12.4)
At 31st March 2001	32.0	1,193.3	0.8	2,891.1	348.0	4,465.2
Company and subsidiaries	32.0	1,193.3	0.8	2,816.9	348.0	4,391.0
Associated companies	–	–	–	74.2	–	74.2
	32.0	1,193.3	0.8	2,891.1	348.0	4,465.2
Company						
At 1st April 2000	–	–	–	872.0	1,943.3	2,815.3
Profit for the year	–	–	–	20.9	–	20.9
Interim dividend paid	–	–	–	(12.4)	–	(12.4)
At 31st March 2001	–	–	–	880.5	1,943.3	2,823.8

Notes to the Accounts

20. Reserves (continued)

	Investment properties valuation reserve <i>HK\$Million</i>	Capital reserve <i>HK\$Million</i>	Exchange fluctuation reserve <i>HK\$Million</i>	Retained profits <i>HK\$Million</i>	Contributed surplus <i>HK\$Million</i>	Total <i>HK\$Million</i>
Group						
At 1st April 2001 as previously reported	32.0	1,190.8	0.8	2,893.6	348.0	4,465.2
Effect of the adoption of SSAP 30 (note 1(a))	–	2.5	–	(2.5)	–	–
At 1st April 2001 as restated	32.0	1,193.3	0.8	2,891.1	348.0	4,465.2
Deficit on revaluation of associated companies (Note 12)	–	(19.9)	–	–	–	(19.9)
Profit for the year	–	–	–	76.7	–	76.7
Interim dividend paid	–	–	–	(12.4)	–	(12.4)
At 31st March 2002	32.0	1,173.4	0.8	2,955.4	348.0	4,509.6
Representing:						
Final dividend proposed						12.3
Reserves at 31st March 2002						4,497.3
						4,509.6
Company and subsidiaries	32.0	1,173.4	0.8	2,866.4	348.0	4,420.6
Associated companies	–	–	–	89.0	–	89.0
	32.0	1,173.4	0.8	2,955.4	348.0	4,509.6
Company						
At 1st April 2001	–	–	–	880.5	1,943.3	2,823.8
Profit for the year	–	–	–	20.6	–	20.6
Interim dividend paid	–	–	–	(12.4)	–	(12.4)
At 31st March 2002	–	–	–	888.7	1,943.3	2,832.0
Representing:						
Final dividend proposed						12.3
Reserves at 31st March 2002						2,819.7
						2,832.0

Notes to the Accounts

20. Reserves (continued)

The distributable reserves of the company at 31st March 2002 amounted to HK\$2,832.0 million (2001: HK\$2,823.8 million). The contributed surplus is related to the group's restructuring in prior year.

21. Long Term Liabilities

Group

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Secured bank loans		
– wholly repayable within five years	61.0	–
Less: Amounts repayable within one year included under current liabilities	(4.0)	–
	57.0	–

The maturity of the group's long term liabilities is as follows:

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Secured bank loans		
Within one year	4.0	–
In the second year	4.0	–
In the third to fifth years	53.0	–
	61.0	–

Notes to the Accounts

22. Deferred Taxation

Group

	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>
At the beginning of the year	–	0.4
Transfer from/(to) profit and loss account (note 6)	1.1	(0.4)
At the end of the year	1.1	–

Deferred taxation is provided for in respect of the timing difference arising from accelerated depreciation allowances.

The group and the company have no other material timing differences for deferred taxation purposes.

The surpluses on revaluation of investment properties and investments in associated companies do not constitute timing differences for deferred taxation purposes.

23. Pledge of Assets

Certain properties of the group with a carrying value of HK\$865.5 million (2001: HK\$1,188.0 million) have been pledged to banks as security for facilities granted to the extent of HK\$277.8 million (2001: HK\$519.9 million) against which HK\$193.6 million (2001: HK\$405.9 million) has been utilised at the balance sheet date.

24. Commitments

Group

	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>
Capital commitment in respect of investment securities	116.7	109.0
Development expenses contracted but not provided for in respect of properties under development	16.3	–
	133.0	109.0

Notes to the Accounts

25. Lease Commitments

The group had future aggregate minimum lease payments under non-cancellable operating leases in respect of properties as follows:

Group

	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>
Not later than one year	5.5	5.6
Later than one year and not later than five years	22.5	13.4
Later than five years	2.3	–
	30.3	19.0

26. Future Operating Lease Receivables

The group had future minimum lease receivables under non-cancellable operating leases in respect of properties as follows:

Group

	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>
Not later than one year	58.2	51.5
Later than one year and not later than five years	27.1	37.5
	85.3	89.0

27. Contingent Liabilities

	Group		Company	
	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>	2002 <i>HK\$Million</i>	2001 <i>HK\$Million</i>
Guarantees for credit facilities drawn down by:				
Subsidiaries	–	–	252.6	465.9
Associated company	–	260.0	–	260.0
	–	260.0	252.6	725.9

Notes to the Accounts

28. Provident Fund Scheme

For the non-contributory defined contribution provident fund scheme (“the scheme”), regular monthly contributions payable by the group at the rate specified in the trust deed are expensed as incurred. Where there are employees who leave the scheme prior to vesting fully in the contributions, the contributions payable by the group are reduced by the amount of forfeited contributions. The assets of the scheme are held separately from those of the group in funds under the control of a professional trustee and are managed by an independent fund manager.

For the mandatory provident fund scheme (“MPF Scheme”), the group’s contributions are at 5% of the employees’ relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK\$1,000 per employee per month. The employees also contribute a corresponding amount to the MPF Scheme from 31st December 2000 if their relevant income is more than HK\$4,000 per month. The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Forfeited contributions totalling HK\$0.1 million arising from employees leaving the scheme (2001: HK\$Nil) were utilised to offset contributions during the year. At the balance sheet date, there was no forfeited contribution (2001: HK\$Nil) which is available to reduce the contributions payable in future years. Contributions payable at the year end was HK\$0.2 million (2001: HK\$0.2 million).

29. Notes to the Consolidated Cash Flow Statement

(a) Reconciliation of profit/(loss) before taxation to net cash inflow from operating activities:

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Profit/(loss) before taxation	91.9	(68.4)
Share of (profits)/losses of associated companies	(89.3)	15.5
Provision against properties for sale	–	78.0
Provision for investment securities	15.6	7.8
Depreciation	0.2	0.4
Interest expenses	13.2	21.8
Interest income	(0.5)	(1.2)
Exchange differences	–	0.1
Decrease/(increase) in properties for sale	178.8	(381.5)
(Increase)/decrease in properties under development	(19.1)	431.4
Decrease/(increase) in debtors, deposits and prepayments	7.1	(6.2)
Decrease in creditors, deposits and accruals	(0.4)	(14.1)
	105.6	152.0
Net cash inflow from operating activities	197.5	83.6

Notes to the Accounts

29. Notes to the Consolidated Cash Flow Statement (continued)

(b) Analysis of changes in financing during the year:

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Balance at the beginning of the year		
– Short term bank loans	465.9	200.0
– Long term bank loans	–	336.6
Net cash outflow from financing	(213.3)	536.6 (70.7)
Balance at the end of the year	252.6	465.9
Representing:		
Short term bank loans	191.6	465.9
Long term bank loans	61.0	–
	252.6	465.9

(c) Analysis of balances of cash and cash equivalents:

	2002	2001
	<i>HK\$Million</i>	<i>HK\$Million</i>
Bank balances and cash	65.5	75.7

Notes to the Accounts

30. Particulars of Subsidiaries and Associated Companies

Subsidiaries	Principal Activities	Percentage of issued ordinary share capital held by		Issued ordinary share capital HK\$
		Group	Company	
Tai Cheung (B.V.I.) Company Limited	Investment holding	100	100	780
Tai Cheung Properties Limited	Investment holding and property development	100	–	386,633,750
Acura Enterprises Limited	Property development	100	–	2
Alsoic Limited	Property development	100	–	8
Antier Investment Company Limited	Property development	100	–	300
Buruda Limited	Investment holding	100	–	8
+ Centrax Limited	Property investment	100	–	2
Cosmopolitan Estates Limited	Property investment	100	–	1,000,000
Denmore Limited	Investment holding	100	–	2
Dumex Limited	Investment holding	100	–	3,000,000
* Edward Contractors, Inc.	Contracting services	100	–	77,240
Enrich Investments Limited	Property development	100	–	2
Fliutshire Properties Limited	Property development	100	–	2
Hoi Ka Company Limited	Property development	100	–	1,000,000
Jaco Limited	Property development	100	–	2
Jumbo Realty Limited	Property development	100	–	36,000,000
Junco (Nominees) Limited	Nominee company	100	–	200
Karness Limited	Investment holding	100	–	8
Kenic Properties Limited	Investment holding	100	–	200
Lee May Investments Limited	Property development	100	–	60
Maidstone Construction Company Limited	Construction	100	–	600,000
South Land Enterprises Limited	Property development	100	–	2
Sum Lung Investment Company Limited	Property development	100	–	10,000,000
Tai Cheung Capital Limited	Investment holding	100	–	5,000,000
Tai Cheung Construction Company Limited	Property development	100	–	500,000
Tai Cheung Management Company Limited	Property management	100	–	4,500,000
Tai Cheung Properties (China) Limited	Property development	100	–	2
Tai Cheung Secretaries Limited	Corporate secretary	100	–	2
* Taico Properties, Inc.	Property development	100	–	109,359,743
* Talega Industrial Park, Inc.	Property development	100	–	14,821,766
Tareau International Company Limited	Investment holding	100	–	2
Tatrine Development Company Limited	Property development	100	–	20
Turnhouse Limited	Property development	100	–	2
Walsmith Corporation Limited	Investment holding	100	–	2
Wang Yip Construction Company Limited	Construction	100	–	5,000,000
Winfield Investments Limited	Property development	100	–	2
Y Lee Enterprises Limited	Property development	100	–	14,000,000
Yescott International Limited	Investment holding	100	–	2
Zebrine Investments Limited	Property development	100	–	20

Notes to the Accounts

30. Particulars of Subsidiaries and Associated Companies (continued)

Associated Companies	Principal Activities	Percentage of issued ordinary share capital held	
		by Group	by Company
** Consolidated Hotels Limited	Hotel investment	35	–
** Macfull Limited	Property development	20	–
** Macfull Finance Limited	Investment holding	20	–
** Shepherd Investments Limited	Investment holding	48	–
** Terrific Investment Limited	Property development	20	–

All subsidiaries and associated companies are incorporated in Hong Kong except Taico Properties, Inc., Talega Industrial Park, Inc. and Edward Contractors, Inc. which are incorporated in the U.S.A.; Alsoic Limited, Buruda Limited and Tai Cheung (B.V.I.) Company Limited which are incorporated in the British Virgin Islands, and Karness Limited which is incorporated in the Cook Islands. The principal country of operation is the same as the country of incorporation except for Tai Cheung (B.V.I.) Company Limited, Alsoic Limited, Buruda Limited and Karness Limited which operate internationally.

* The accounts of these subsidiaries and associated companies have been audited by firms other than PricewaterhouseCoopers, Hong Kong. The aggregate net liabilities and profit before taxation of these subsidiaries and associated companies attributable to the group amounted to HK\$148.5 million and HK\$84.1 million (2001: HK\$178.8 million and loss before taxation of HK\$17.5 million) respectively.

** Associated companies with 31st December year ends.

+ The shares of the subsidiary have been pledged to a bank as security for banking facilities granted to the subsidiary.