

Notes to the Financial Statements

For the year ended 31st December 2002

(Expressed in Hong Kong Dollars)

1. General

The Company is a company incorporated in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activity of the Company is investment holding.

The principal activities of the subsidiaries are property development, property investment, hotel and restaurant operations, trading of building materials, share investment, provision of management and maintenance services, property management, insurance agency and sports club operation.

2. Adoption of Statements of Standard Accounting Practice/Changes in Accounting Policies

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice (SSAPs) issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in the following changes in the Group's accounting policies and the presentation of its financial statements. In addition, the new and revised SSAPs have introduced additional disclosure requirements which have been adopted in these financial statements.

Presentation of financial statements

The revisions to SSAP 1 (Revised) "Presentation of the financial statements" have introduced the new format of presentation of the statement of changes in equity in the current year's financial statements. The presentation in prior year's financial statements has been restated in order to achieve a consistent presentation.

Cash flow statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash flow statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating/investing/financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. In additions, the amounts presented for cash and cash equivalent have been amended to exclude short-term loans that are financing in nature. The presentation in the prior year's cash flow statement has been restated in order to achieve a consistent presentation.

Employee benefits

In the current year, the Group has adopted SSAP 34 "Employee benefits", which introduces measurement rules and disclosure requirements for employee benefits, including retirement benefit plans. Because the Group participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 did not have any material impact on the financial statements.

3. Significant Accounting Policies

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment and hotel properties and investments in securities and 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 date of acquisition or up to the effective date of disposal, as appropriate.

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

Goodwill and negative goodwill

Goodwill represents the excess of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary or an associate. Negative goodwill, represents the excess over the purchase consideration of the fair value ascribed to the Group's share of the separable net assets at the date of acquisition of a subsidiary or an associate. Goodwill is capitalised and amortised over its estimated useful life. Negative goodwill will be released to income statement based on an analysis of the circumstances from which the balance resulted.

Goodwill arising on the acquisitions of subsidiaries is presented separately in the balance sheet. Negative goodwill arising on acquisitions of subsidiaries is presented as a deduction from non-current assets. Any premium or discount arising on the acquisition of interests in associates, representing the excess or shortfall respectively of the purchase consideration over the fair value ascribed to the Group's share of the separable net assets of the associates at the date of acquisition, is dealt with and included in interest in associates.

On the disposal of an investment in a subsidiary or an associate, the attributable amount of unamortised goodwill or unreleased negative goodwill is included in the determination of the profit or loss on disposal.

Turnover

Turnover represents the aggregate of gross rental income, income from hotel and restaurant operations, proceeds from sales of building materials, property management and maintenance income, agency commission and sports club operation.

3. Significant Accounting Policies (Cont'd)

Revenue recognition

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

Hotel operation income is recognised upon the provision of services and the utilisation by guests of the hotel facilities.

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

Dividend income from investments is recognised when the shareholder's rights to receive payment have been established.

Investment properties

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

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

On the disposal of an investment property, the balance on the property revaluation reserve attributable to the property disposed of is credited to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Hotel properties

Hotel properties comprise interests in land and buildings and their integral fixed plant which are collectively used in the operation of a hotel and are stated at their open market values based on professional valuations at the balance sheet date.

It is the Group's policy to maintain the hotel properties in such condition that their residual value is not currently diminished by the passage of time and that any element of depreciation is insignificant. Therefore, no depreciation charge is recognised in respect of its hotel properties. The related maintenance and repairs expenditure is charged to the income statement in the year in which it is incurred.

3. Significant Accounting Policies (Cont'd)

Properties under development

Land and buildings in the course of development for sale, 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 costs, development costs, borrowing costs capitalised and other direct costs attributable to such properties.

Properties under development which are intended to be held for the long term for their investment potential are shown as non-current assets. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Properties under development which are intended to be held for sale will be treated as properties under development for sale and are shown as current assets.

Borrowing costs

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

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

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any identified impairment losses.

No depreciation is provided to write off the cost of freehold land and properties under development.

Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold land	Over the term of the lease
Buildings	Over the shorter of the term of the lease, or 50 years
Furniture and fixtures, motor vehicles and plant and machinery	20%

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

3. Significant Accounting Policies (Cont'd)

Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company.

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Investments in associates

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

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates less any identified impairment loss.

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

Other investments

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

Where securities are held for trading purposes, unrealised gains or losses are included in net profit or loss for the period. Investments in securities acquired other than for trading purposes are stated at fair value at the subsequent reporting dates. Unrealised gains and losses arising on investments acquired other than for trading purposes are dealt with in equity until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in net profit or loss for the period.

Unlisted investments are accounted for as fixed return investments where the income to be derived from such interests is predetermined in accordance with the provisions of the relevant agreements. Such investments are initially recorded at cost. Payments receivable each year under the relevant agreements are apportioned between income and reduction of the carrying value of the investments so as to give a constant periodic rate of return on the net investment.

Inventories

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

3. Significant Accounting Policies (Cont'd)

Impairment

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

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

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions or at contracted settlement rates. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement. Gains and losses arising on the translation of foreign currency borrowings used to finance net investments in overseas operations are taken directly to the exchange translation reserve.

On consolidation, the financial statements of overseas operations which are denominated in currencies other than the Hong Kong dollar are translated at the rates of exchange prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising on consolidation, if any, are classified as equity and transferred to the Group's exchange translation reserve. Such translation difference are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

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

Operating leases

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

3. Significant Accounting Policies (Cont'd)

Retirement benefit costs

Payments to defined contribution retirement benefit plans and the Mandatory Provident Fund Scheme are charged as expenses as they fall due.

4. Business and Geographical Segments

Business segments

For management purposes, the Group is currently organised into the following operations:

- | | | |
|------------------|---|---|
| Property leasing | – | rental income from leasing of properties. |
| Hotel operation | – | hotels and furnished apartments operations. |
| Other operations | – | property development, sales of building materials, restaurant operation, provision of property management, maintenance and agency services, provision of insurance agency services and sports club operation. |

These operations are the basis on which the Group reports its primary segment information.

4. Business and Geographical Segments (Cont'd)

Segment information about these businesses is presented below:

2002

	Property leasing \$'000	Hotel operation \$'000	Other operations \$'000	Eliminations \$'000	Consolidated \$'000
TURNOVER					
External sales	795,464	1,524,917	249,159	–	2,569,540
Inter-segment sales	20,733	–	28,989	(49,722)	–
Total revenue	816,197	1,524,917	278,148	(49,722)	2,569,540
Inter-segment sales are charged at a mutually agreed price.					
RESULT					
Segment results	683,388	437,390	17,246		1,138,024
Unallocated corporate expenses					(57,831)
Profit from operations					1,080,193
Finance costs					(344,135)
Share of results of associates	3,396	–	33		3,429
Profit before taxation					739,487
Taxation					(119,305)
Profit after taxation					620,182

4. Business and Geographical Segments (Cont'd)

2002 (Cont'd)

Other information

	Property leasing \$'000	Hotel operation \$'000	Other operations \$'000	Consolidated \$'000
Capital expenditure	180,361	40,184	1,119,989	1,340,534
Depreciation	21	39	4,885	4,945
Non-cash expenses other than depreciation	16,711	5,600	26,794	49,105

Balance sheet

	Property leasing \$'000	Hotel operation \$'000	Other operations \$'000	Consolidated \$'000
ASSETS				
Segment assets	12,930,422	8,193,941	7,988,668	29,113,031
Interests in associates	3,228		(3,097)	131
Unallocated corporate assets				21,435
Consolidated total assets				29,134,597
LIABILITIES				
Segment liabilities	295,827	335,780	178,603	810,210
Unallocated corporate liabilities				13,179,571
Consolidated total liabilities				13,989,781

4. Business and Geographical Segments (Cont'd)**2001**

	Property leasing \$'000	Hotel operation \$'000	Other operations \$'000	Eliminations \$'000	Consolidated \$'000
TURNOVER					
External sales	859,226	1,552,674	265,351	–	2,677,251
Inter-segment sales	11,920	–	36,690	(48,610)	–
Total revenue	871,146	1,552,674	302,041	(48,610)	2,677,251

Inter-segment sales are charged at a mutually agreed price.

RESULT

Segment results	810,663	439,341	25,214		1,275,218
Unallocated corporate expenses					(152,065)
Profit from operations					1,123,153
Finance costs					(463,569)
Share of results of associates	1,169	–	(14,432)		(13,263)
Profit before taxation					646,321
Taxation					(108,279)
Profit after taxation					538,042

4. Business and Geographical Segments (Cont'd)

2001 (Cont'd)

Other information

	Property leasing \$'000	Hotel operation \$'000	Other operations \$'000	Consolidated \$'000
Capital expenditure	2,755,686	74,115	694,886	3,524,687
Depreciation and amortisation	290	4,500	4,080	8,870
Non-cash expenses other than depreciation	605	25,968	70,369	96,942

Balance sheet

	Property leasing \$'000	Hotel operation \$'000	Other operations \$'000	Consolidated \$'000
ASSETS				
Segment assets	13,919,679	7,951,549	6,868,447	28,739,675
Interests in associates	16,148	–	(13,130)	3,018
Unallocated corporate assets				278,946
Consolidated total assets				29,021,639
LIABILITIES				
Segment liabilities	325,194	290,556	83,719	699,469
Unallocated corporate liabilities				12,573,273
Consolidated total liabilities				13,272,742

4. Business and Geographical Segments (Cont'd)

Geographical segments

A geographical analysis of the Group's turnover and contribution to profit from operations, by geographical market, is as follows:

	2002		2001	
	Turnover \$'000	Contribution to profit from operations \$'000	Turnover \$'000	Contribution to profit from operations \$'000
Hong Kong	1,262,827	664,795	1,299,299	661,607
North America	769,869	262,155	848,262	309,776
Europe	289,145	100,169	285,349	94,332
Asia Pacific, other than Hong Kong	247,699	53,074	244,341	57,438
	2,569,540	1,080,193	2,677,251	1,123,153

An analysis of the carrying amount of segment assets and additions to fixed assets by the geographical area in which the assets are located is as follows:

	Carrying amount of segment assets		Additions to fixed assets	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Hong Kong	22,716,759	22,928,924	1,159,547	2,690,493
North America	3,565,821	3,589,117	174,042	817,108
Europe	1,955,213	1,641,521	4,873	12,160
Asia Pacific, other than Hong Kong	896,804	862,077	2,072	4,926
	29,134,597	29,021,639	1,340,534	3,524,687

5. Other Operating Income

	2002 \$'000	2001 \$'000
Included in other operating income are:		
Dividends received from unlisted investments	994	4,086
Dividends received from listed investments	70	74
Profit on disposal of fixed assets	–	26,099
Interest income	17,563	36,293

6. Profit from Operations

	2002 \$'000	2001 \$'000
Profit from operations has been arrived at after charging:		
Allowance for doubtful debts	7,406	24,486
Amortisation on other assets	–	3,230
Auditors' remuneration	4,095	4,111
Depreciation on fixed assets	4,945	5,640
Fitting-out works of investment and hotel properties written off	22,310	32,439
Impairment loss recognised in respect of other investments	19,389	36,622
Net exchange loss	104	–
Operating lease payments on rented premises	2,337	2,187
Other assets written off	–	3,395
Staff costs, including directors' emoluments	556,795	564,208
and after crediting:		
Rental income from investment properties less related outgoings	691,032	764,513
Net exchange gain	–	1,053

7. Finance Costs

	2002 \$'000	2001 \$'000
Interest on bank borrowings not wholly repayable within five years	109,091	13,752
Interest on bank borrowings wholly repayable within five years	313,014	508,535
Interest on other loan not wholly repayable within five years	49,584	49,292
Interest on other loans wholly repayable within five years	56,272	77,540
Interest on convertible bonds	–	8,097
Amortisation on convertible bond issuing expenses	–	1,233
Provision for premium on redemption of convertible bonds	–	13,625
Other borrowing costs	62,629	35,665
Total borrowing costs	590,590	707,739
Less: Amount capitalised to property under development	(246,455)	(244,170)
	344,135	463,569

8. Directors' and Employees' Emoluments

Directors' emoluments

	2002 \$'000	2001 \$'000
Fees:		
Directors	180	198
Independent Non-Executive Directors	53	44
	233	242
Other emoluments:		
Directors		
Salaries and other benefits	12,600	12,945
Deemed benefits of share options granted (Note)	–	1,211
Retirement schemes contributions	358	358
Independent Non-Executive Directors	–	–
	12,958	14,514
	13,191	14,756

8. Directors' and Employees' Emoluments (Cont'd)

Mr. CHENG Hoi Chuen, Vincent, an Independent Non-Executive Director, waived his director's fee with effect from the financial year 1998. Save as afore-mentioned, none of the Directors has waived the rights to receive their emoluments.

	2002 Number of Directors	2001 Number of Directors
Bands:		
Nil to \$1,000,000	8	7
\$1,000,001 – \$1,500,000	2	1
\$1,500,001 – \$2,000,000	–	1
\$2,000,001 – \$2,500,000	1	–
\$2,500,001 – \$3,000,000	–	1
\$3,000,001 – \$3,500,000	1	1
\$4,500,001 – \$5,000,000	1	–
\$5,000,001 – \$5,500,000	–	1
	13	12

Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2001: three) were Directors of the Company whose emoluments are included in the disclosures above. The emoluments of the remaining two individuals were as follows:

	2002 \$'000	2001 \$'000
Salaries and other benefits	4,398	4,555
Deemed benefits of share options granted (Note)	–	235
Retirement schemes contributions	172	165
	4,570	4,955

8. Directors' and Employees' Emoluments (Cont'd)

	2002 Number of employees	2001 Number of employees
Bands:		
\$2,000,001 – \$2,500,000	1	1
\$2,500,001 – \$3,000,000	1	1
	2	2

Note:

Under the Group's share option scheme, share options have been granted to qualified Directors and employees. The deemed benefits were arrived at by multiplying the difference between the subscription price and the open market closing price of the Company's shares at the date of granting of the share options by the number of shares convertible under the share options granted during the relevant year.

9. Taxation

	2002 \$'000	2001 \$'000
Company and subsidiaries:		
Hong Kong	61,028	58,931
Other jurisdictions	15,899	49,039
Deferred taxation (note 21)	41,838	221
Share of taxation of associates:		
Hong Kong	540	88
	119,305	108,279

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimate assessable profit for the year.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

10. Dividends

	2002 \$'000	2001 \$'000
Interim dividend at 5 cents per share on 582,978,151 shares (2001: 7 cents per share on 577,167,420 shares)	29,149	40,402
Proposed final dividend at 10 cents per share on 582,978,151 shares (2001: 14 cents per share on 577,167,420 shares)	58,298	80,804
Underprovision of 2000 final dividend at 20 cents per share on 36,962 shares	–	7
	87,447	121,213

A final dividend in respect of 2002 at 10 cents per share has been proposed by the Directors and is subject to approval by the shareholders in the forthcoming annual general meeting.

11. Earnings Per Share

The calculation of basic and diluted earnings per share is based on the following data:

	2002 \$'000	2001 \$'000
Earnings		
Earnings for the purpose of basic and diluted earnings per share	589,444	507,299

	2002	2001
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	580,494,660	565,761,014
Effect of dilutive potential shares:		
Share options	97,113	846,198
Weighted average number of shares for the purpose of diluted earnings per share	580,591,773	566,607,212

The computation of diluted earnings per share does not assume the exercise of certain of the Company's outstanding share options as the exercise prices of those options are higher than the average market prices of the Company's shares for both 2002 and 2001.

12. Fixed Assets

	Investment properties \$'000	Hotel properties \$'000	Property under development \$'000	Land and buildings \$'000	Furniture and fixtures \$'000	Motor vehicles \$'000	Plant and machinery \$'000	Total \$'000
THE GROUP								
COST/VALUATION								
At 1st January 2002	13,530,341	7,571,484	6,699,619	44	62,532	4,570	2,865	27,871,455
Exchange adjustments	323	282,641	-	-	-	-	-	282,964
Acquisition of subsidiaries	156,241	-	-	-	-	-	-	156,241
Additions	24,095	40,162	1,109,154	-	10,757	-	125	1,184,293
Disposals/written off	(16,710)	(5,600)	-	-	-	(174)	-	(22,484)
Revaluation decrease	(1,170,390)	(73,084)	-	-	-	-	-	(1,243,474)
At 31st December 2002	12,523,900	7,815,603	7,808,773	44	73,289	4,396	2,990	28,228,995
DEPRECIATION								
At 1st January 2002	-	-	-	10	56,096	3,294	2,805	62,205
Charge for the year	-	-	-	-	4,341	557	47	4,945
Eliminated on disposal	-	-	-	-	-	(174)	-	(174)
At 31st December 2002	-	-	-	10	60,437	3,677	2,852	66,976
NET BOOK VALUES								
At 31st December 2002	12,523,900	7,815,603	7,808,773	34	12,852	719	138	28,162,019
At 31st December 2001	13,530,341	7,571,484	6,699,619	34	6,436	1,276	60	27,809,250
Represented by:								
At cost	-	-	7,808,773	44	73,289	4,396	2,990	7,889,492
At valuation	12,523,900	7,815,603	-	-	-	-	-	20,339,503
	12,523,900	7,815,603	7,808,773	44	73,289	4,396	2,990	28,228,995

12. Fixed Assets (Cont'd)

- (a) Investment and hotel properties were revalued at 31st December 2002 on an open market value basis by independent professional property valuers, except for properties located in USA, as follows:

Investment and hotel properties in Hong Kong – Chesterton Petty Ltd.

Hotel properties in United Kingdom – Chesterton Plc.

Hotel properties in Canada – Colliers International Realty Advisors Inc.

Hotel properties in Australia – CB Richard Ellis (V) Pty Ltd.

Hotel properties in New Zealand – CB Richard Ellis Hotels & Leisure Ltd.

Investment and hotel properties located in USA with a carrying value amounting to \$1,715,000,000 and \$725,307,000 respectively at 31st December 2002 were valued by an employee of the Group, Mr. David P. Crum, MAI Designated Members of Appraisal Institute and CCIM Designated Member of Commercial Investment Real Estate Institute in USA on an open market value basis.

The above-mentioned valuations have been adopted by the Directors in these financial statements and the revaluation decrease arising on revaluation has been charged to property revaluation reserve.

- (b) The carrying amount of investment properties includes lands situated in Hong Kong and outside Hong Kong as follows:

	2002 \$'000	2001 \$'000
Long lease in Hong Kong	1,461,800	1,565,700
Medium-term leases in Hong Kong	9,347,100	10,283,500
Freehold land outside Hong Kong	1,715,000	1,681,141
	12,523,900	13,530,341

- (c) The carrying amount of hotel properties includes lands situated in Hong Kong and outside Hong Kong as follows:

	2002 \$'000	2001 \$'000
Long leases in Hong Kong	328,000	381,000
Medium-term leases in Hong Kong	3,271,000	3,273,000
Freehold land outside Hong Kong	4,216,603	3,917,484
	7,815,603	7,571,484

12. Fixed Assets (Cont'd)

(d) Property under development

The property under development represents property situated in Hong Kong held under medium-term lease.

Included in property under development are borrowing costs capitalised of approximately \$2,015,929,000 (2001: \$1,769,474,000). The effective interest rate capitalised for the project during the year was 3.8% (2001: 5.3%).

(e) Land and buildings are situated in Hong Kong and held under medium-term leases.

13. Interests in Subsidiaries

	THE COMPANY	
	2002 \$'000	2001 \$'000
Unlisted shares, at cost	1,572,734	1,572,734
Amount due from a subsidiary	4,097,671	4,096,577
	5,670,405	5,669,311

The amount due from a subsidiary is unsecured, interest free and has no fixed repayment term. The Company has agreed not to demand for repayment within the next twelve months from the balance sheet date and accordingly, the amount has been classified as non-current.

Particulars regarding the principal subsidiaries are set out in note 32.

14. Interests in Associates

	THE GROUP	
	2002 \$'000	2001 \$'000
Share of net assets:		
Unlisted associates	(9,861)	3,018
Listed associate	–	–
Amount due from an associate	9,992	–
	131	3,018
Market value of listed securities	3,753	–

14. Interests in Associates (Cont'd)

The Group has agreed to make good the losses incurred by certain associates in full and accordingly, the interest in associates included the Group's share of the net liabilities of certain associates.

The amount due from an associate is unsecured, interest-free and has no fixed repayment terms. The Group has agreed not to demand for repayment within the next twelve months from the balance sheet date and accordingly, the amount has been classified as non-current.

Particulars regarding the principal associates are set out in note 33.

15. Other Investments

	THE GROUP	
	2002 \$'000	2001 \$'000
Fixed return investment in other regions of the People's Republic of China, unlisted	7,799	11,696
Not-for-trading securities		
Unlisted in Hong Kong	246	246
Listed in Hong Kong	11,775	11,467
	12,021	11,713
	19,820	23,409
Market value of listed securities	11,775	11,467

As an investee company operated at loss continuously, the directors determined that the investment is fully impaired. Accordingly, an impairment loss of \$19,389,000 in respect of the investment was recognised in the income statement during the year.

16. Pledged Bank Deposits

The pledged deposits have been placed in a designated bank as part of the securities provided for long-term facilities granted to the Group.

17. Inventories

	THE GROUP	
	2002 \$'000	2001 \$'000
Completed properties for sale	42	42
Raw materials	26,844	29,472
Provisions and beverages	14,492	14,526
Work in progress	9,753	13,010
	51,131	57,050

Included above are raw materials of \$1,700,000 (2001: nil) carried at net realisable value.

18. Trade Debtors

The Group maintains a defined credit policy. For sales of goods, the Group allows an average credit period of 30-60 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The aged analysis of trade debtors is as follows:

	THE GROUP	
	2002 \$'000	2001 \$'000
0 – 3 months	139,744	140,372
3 – 6 months	11,661	16,123
Over 6 months	20,854	19,057
	172,259	175,552

19. Trade Creditors

The aged analysis of trade creditors is as follows:

	THE GROUP	
	2002 \$'000	2001 \$'000
0 – 3 months	117,451	107,452
3 – 6 months	697	499
Over 6 months	1,698	883
	119,846	108,834

20. Borrowings

	THE GROUP		THE COMPANY	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Bank overdrafts (unsecured)	1,864	465	–	–
Bank loans and revolving loans (secured)	11,280,908	10,686,145	–	–
Bills payable	19,288	10,972	–	–
Other long-term loans (secured)	1,739,234	1,653,093	–	–
	13,041,294	12,350,675	–	–
The maturity of the above loans and overdrafts is as follows:				
On demand or within one year	2,237,509	2,195,301	–	–
More than one year but not exceeding two years	1,550,873	1,710,182	–	–
More than two years but not exceeding five years	6,598,498	7,264,175	–	–
More than five years	2,654,414	1,181,017	–	–
	13,041,294	12,350,675	–	–
Less: Amounts due within one year shown under current liabilities	(2,237,509)	(2,195,301)	–	–
Amounts due after one year	10,803,785	10,155,374	–	–

Secured bank loans include a loan of \$3,310 million (2001: \$3,490 million) obtained from a syndicate of banks by an indirect subsidiary in which the Group has a 85.93% (2001: 85.93%) interest.

Other long-term loans bear interest at various rates and are repayable by instalments.

21. Deferred Taxation

	THE GROUP	
	2002 \$'000	2001 \$'000
Balance at beginning of the year	173,470	173,289
Exchange adjustments	31	(40)
Charge for the year (note 9)	41,838	221
Balance at end of the year	215,339	173,470

At the balance sheet date, the major components of deferred taxation liability, provided and unprovided, were as follows:

	PROVIDED		UNPROVIDED	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Deferred taxation relating to gain on disposal of overseas properties	159,361	149,755	–	–
Other timing differences	55,978	23,715	–	–
Deferred taxation relating to the revaluation of overseas properties	–	–	518,946	564,919
	215,339	173,470	518,946	564,919

21. Deferred Taxation (Cont'd)

The amount of unprovided deferred taxation credit of the Group for the year was due to:

	2002 \$'000	2001 \$'000
Decrease arising from the revaluation of overseas properties	45,973	229,151

Deferred taxation has not been provided on the revaluation increase or decrease of the Group's properties in Hong Kong and investments in securities not held for trading because profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the increase or decrease arising on revaluation does not constitute a timing difference for tax purpose.

The Company did not have other significant deferred taxation assets or liabilities at the balance sheet date.

22. Share Capital

	2002		2001	
	Number of shares '000	Nominal value \$'000	Number of shares '000	Nominal value \$'000
(a) Authorised: Shares of \$0.50 each Balance brought forward and carried forward	800,000	400,000	800,000	400,000
(b) Issued and fully paid: Shares of \$0.50 each Balance brought forward Issued in consideration for the acquisition of subsidiaries Issued upon exercise of share options under the Share Option Scheme Issued as scrip dividends Balance carried forward	577,167 – – 5,811 582,978	288,584 – – 2,905 291,489	552,105 16,670 125 8,267 577,167	276,052 8,335 63 4,134 288,584

During the year, 5,810,731 shares (2001: 8,267,512 shares) of \$0.50 each in the Company were issued at \$9.40 (2001: \$10.08) per share as scrip dividends.

23. Reserves

	Notes	THE GROUP		THE COMPANY	
		2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Share premium	(a)	3,132,685	3,081,010	3,132,685	3,081,010
Property revaluation reserve	(b)	3,588,637	4,728,242	–	–
Investment revaluation reserve	(c)	(1,424)	(11,019)	–	–
Capital redemption reserve		1,650	1,650	1,650	1,650
Contributed surplus	(d)	402,540	402,540	426,203	426,203
Exchange translation reserve	(e)	(55,423)	(131,961)	–	–
Retained profits	(f)	7,243,690	6,764,199	1,818,081	1,871,588
		14,312,355	14,834,661	5,378,619	5,380,451

At the balance sheet date, the Company's reserves available for distribution to shareholders amounted to approximately \$2,244,284,000 (2001: \$2,297,791,000).

Notes:

(a) Share premium

	THE GROUP		THE COMPANY	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance brought forward	3,081,010	2,709,343	3,081,010	2,709,343
Premium received on issue of shares	51,716	371,733	51,716	371,733
Expenses on share issue	(41)	(66)	(41)	(66)
Balance carried forward	3,132,685	3,081,010	3,132,685	3,081,010

23. Reserves (Cont'd)**(b) Property revaluation reserve**

	THE GROUP		THE COMPANY	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance brought forward	4,728,242	7,785,370	–	–
Exchange adjustments	4,358	(41,625)	–	–
Revaluation decrease during the year	(1,143,963)	(2,982,598)	–	–
Released upon disposal	–	(34,756)	–	–
	3,588,637	4,726,391	–	–
Share of associates				
Revaluation increase during the year	–	1,851	–	–
Balance carried forward	3,588,637	4,728,242	–	–

(c) Investment revaluation reserve

	THE GROUP		THE COMPANY	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance brought forward	(11,019)	536	–	–
Revaluation decrease during the year	(9,794)	(11,555)	–	–
Impairment loss recognised in respect of other investments	19,389	–	–	–
Balance carried forward	(1,424)	(11,019)	–	–

23. Reserves (Cont'd)

(d) Contributed surplus

	THE GROUP		THE COMPANY	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance brought forward	402,540	402,291	426,203	426,203
Decrease in shareholdings				
by minority shareholders	–	249	–	–
Balance carried forward	402,540	402,540	426,203	426,203

Contributed surplus represents the surplus arising under the Scheme of Arrangement undertaken by the Group in 1989/90. Under the Companies Act of 1981 of Bermuda, the contributed surplus is available for distribution to shareholders.

(e) Exchange translation reserve

	THE GROUP		THE COMPANY	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Balance brought forward	(131,961)	(80,632)	–	–
Exchange adjustment on translation of				
net overseas investments	103,372	(46,530)	–	–
Net exchange loss on forward contracts	(26,834)	(4,799)	–	–
Balance carried forward	(55,423)	(131,961)	–	–

23. Reserves (Cont'd)**(f) Retained profits**

	THE GROUP \$'000	THE COMPANY \$'000
Balance at 1st January 2001	6,407,730	1,868,854
Profit for the year	507,299	153,564
Dividends paid	(150,830)	(150,830)
Balance at 1st January 2002	6,764,199	1,871,588
Profit for the year	589,444	56,446
Dividends paid	(109,953)	(109,953)
Balance at 31st December 2002	7,243,690	1,818,081

The retained profits of the Group included \$3,177,000 (2001: \$438,000) retained by associates of the Group.

24. Acquisition of Subsidiaries

On 25th June 2002, the Group had completed the acquisition of additional 50 per cent interest in Pacific 888, LLC, an associate of the Group. Pacific 888, LLC became a wholly-owned subsidiary of the Group thereafter.

On 28th June 2001, the Group acquired 100 per cent of the issued share capital of Garden Road (BVI) Limited and CitiRealty (BVI) Limited.

24. Acquisition of Subsidiaries (Cont'd)

The transactions have been accounted for by the acquisition method of accounting.

	2002 \$'000	2001 \$'000
Net assets acquired:		
Fixed assets	156,241	1,945,780
Debtors, deposits and prepayments	5,963	524
Bank balances and cash	4,058	–
Creditors, deposits and accruals	(2,934)	(210)
Borrowings	(111,136)	–
Provision for taxation	–	(4,251)
	52,192	1,941,843
Interest previously acquired as an associate	(15,626)	–
Total consideration	36,566	1,941,843
Satisfied by:		
Shares allotted	–	300,060
Cash consideration	36,566	1,641,783
	36,566	1,941,843
Net cash outflow arising from acquisition		
Cash consideration	(36,566)	(1,641,783)
Bank balances and cash acquired	4,058	–
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	(32,508)	(1,641,783)

The subsidiary acquired during the year contributed approximately \$12,166,000 to the turnover and approximately \$1,250,000 to the profit before taxation of the Group for the period between the date of acquisition and the balance sheet date. The subsidiary acquired during the year had no significant impact on cash flows of the Group for the year.

25. Major Non-Cash Transaction

During the year, 5,810,731 shares of \$0.50 each in the Company were issued at \$9.40 per share as scrip dividends.

26. Share Option Scheme

In accordance with the Great Eagle Holdings Limited Share Option Scheme (formerly Executive Share Option Scheme) (the "Scheme") of the Company, which was adopted pursuant to an ordinary resolution passed on 10th June 1999 and was amended by an ordinary resolution passed on 20th December 2001, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company and its subsidiaries, to subscribe for shares in the Company.

Summary of the Scheme

- a. The purpose of the Scheme is to motivate officers, employees, associates, agents and contractors of the Company or any subsidiary and to allow them to participate in the growth of the Company.
- b. Participants of the Scheme include any person the Board may select to be offered an option, subject to compliance with applicable laws, including, without limitation, any full-time or part-time employee of the Company or any subsidiary, any executive or non-executive director of the Company or any subsidiary and any associate, agent or contractor of the Company or any subsidiary.
- c. The maximum number of shares of \$0.50 each of the Company (the "Shares") in respect of which options may be granted (together with options exercised and options then outstanding) under the Scheme, when aggregated with any number of Shares subject to any other schemes, will be such number of Shares as shall represent 10% of the issued share capital of the Company on the date of adoption of the Scheme. Excluding the number of Shares to be issued upon exercise of the outstanding options granted under the previous share option scheme, the total number of Shares available for issue under the Scheme is 54,127,853 Shares, representing approximately 9% of the Company's issued share capital as at 10th March 2003, the latest practicable date before the approval of these financial statements.
- d. No option may be granted to any one Participant under the Scheme which if exercised in full would result in the total number of Shares already issued and issuable to him under all the options previously granted and to be granted to him in any 12-month period up to the proposed date of the latest grant exceeding 1% of the Company's Shares in issue.
- e. The period within which the Shares must be taken up under an option is 36 months commencing on the expiry of 24 months after the date upon which the option is deemed to be granted and accepted and expiring on the last day of the 36 months' period.
- f. The minimum period within which an option must be held before it can be exercised is the 24 months referred to in paragraph (e) above.
- g. Any participant who accepts an offer of the grant of an option in accordance with the terms of the Scheme shall pay to the Company \$1.00 by way of consideration for the grant thereof within a period of 28 days from the date on which an option is offered to the participant.

26. Share Option Scheme (Cont'd)

Summary of the Scheme (Cont'd)

- h. The subscription price, the price per Share at which a grantee may subscribe for Shares on the exercise of an option, shall be the higher of (i) the last dealt price of the Shares quoted in The Stock Exchange of Hong Kong Limited's (the "Stock Exchange") daily quotations sheets on the date of offer of an option, which must be a business day (as defined in the Rules Governing the Listing of Securities on the Stock Exchange (the "Stock Exchange Listing Rules")), and (ii) the average of the last dealt prices of the Shares quoted in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the said offer date, provided that the subscription price shall in no event be less than the nominal value of a Share.
- i. The scheme has a life of 10 years and will expire on 10th June 2009.

The following table discloses details of the Company's share options held by employees and movements in such holdings during the year:

Year of grant of options	Number of shares					
	Outstanding options at 1st January 2002	Options granted	Options exercised	Options cancelled	Options lapsed on 15th April 2002	Outstanding options at 31st December 2002
1997	654,000	-	-	-	(654,000)	-
1998	1,611,000	-	-	-	-	1,611,000
1999	509,000	-	-	-	-	509,000
2000	723,000	-	-	(12,000)	-	711,000
2001	1,104,000	-	-	(37,000)	-	1,067,000
2002	-	987,000	-	(17,000)	-	970,000
	4,601,000	987,000	-	(66,000)	(654,000)	4,868,000

26. Share Option Scheme (Cont'd)

Details of the share options held by the directors included in the above table are as follows:

Year of grant of options	Number of shares					
	Outstanding options at 1st January 2002	Options granted	Options exercised	Options cancelled	Options lapsed on 15th April 2002	Outstanding options at 31st December 2002
1997-2002	3,255,000	560,000	-	-	(410,000)	3,405,000

Details of Options granted in each year are as follows:

Year	Date of grant	Vesting period	Exercise period	Subscription price per share (\$)
1997	15/04/1997	15/04/1997 – 15/04/2002	16/04/1999 – 15/04/2002	21.519
1998	22/01/1998	22/01/1998 – 22/01/2003	23/01/2000 – 22/01/2003	6.912
1999	12/03/1999	12/03/1999 – 12/03/2004	13/03/2001 – 12/03/2004	7.020
2000	14/02/2000	14/02/2000 – 14/02/2005	15/02/2002 – 14/02/2005	10.116
2001	16/01/2001	16/01/2001 – 16/01/2006	17/01/2003 – 16/01/2006	13.392
2002	28/01/2002	28/01/2002 – 28/01/2007	29/01/2004 – 28/01/2007	8.440

Notes:

- (i) Options granted in the years of 1997 to 1999 were granted under the previous Scheme which expired on 16th March 1999. Options granted in the years of 2000 to 2002 were granted under the Scheme of the Company adopted on 10th June 1999.
- (ii) Consideration paid for each grant of option was \$1.00.
- (iii) No charge is recognised in the income statement in respect of the value of options granted during the year.

27. Retirement Benefit Schemes

The Group has established various retirement benefit schemes for the benefit of its staff in Hong Kong and overseas. In Hong Kong, the Group operates several defined contribution schemes for qualifying employees. The schemes are registered under the Occupational Retirement Schemes Ordinance. The assets of the schemes are administered by independent third parties and are held separately from the Group's assets. The schemes are funded by contributions from both employees and employers at rates ranging from 5% to 10% of the employee's basic monthly salary. Arrangements for staff retirement benefits of overseas employees vary from country to country and are made in accordance with local regulations and custom.

The Occupational Retirement Scheme in Hong Kong had been closed to new employees as a consequence of the new Mandatory Provident Fund Pension Legislation introduced by The Government of Hong Kong Special Administration Region in 2000.

From 1st December 2000 onwards, new staff in Hong Kong joining the Group are required to join the new Mandatory Provident Fund Scheme. The Group is required to contribute 5% to 10%, while the employees are required to contribute 5% of their salaries to the Scheme.

Forfeited contributions to retirement schemes for the year ended 31st December 2002 amounting to \$1,640,000 (2001: \$2,149,000) have been used to reduce the existing level of contributions. Total contributions to retirement fund schemes for the year ended 31st December 2002 charged to the income statement amounted to \$22,916,000 (2001: \$23,119,000). As at 31st December 2002, contributions of \$1,558,000 (2001: nil) due in respect of the year had not been paid over to the schemes.

28. Pledge of Assets

At 31st December 2002, the Group's properties with a total carrying value of approximately \$28,125,000,000 (2001: \$27,773,000,000) together with assignments of sales proceeds, insurance proceeds, rental income, revenues and all other income generated from the relevant properties and deposits of approximately \$4,610,000 (2001: \$95,414,000) were mortgaged or pledged to secure credit facilities granted to the Group.

29. Commitments and Contingent Liabilities

THE GROUP

At 31st December 2002, the Group had commitments and contingent liabilities not provided for in these financial statements, as follows:

- (a) estimated expenditure in respect of property under development amounting to approximately \$2,947,040,000 (2001: \$3,706,690,000) of which approximately \$2,456,792,000 (2001: \$3,255,261,000) were contracted for;
- (b) authorised capital expenditure amounting to approximately \$74,380,000 (2001: \$43,537,000) of which approximately \$13,331,000 (2001: \$18,804,000) were contracted for; and
- (c) commitments under foreign exchange future contracts to sell approximately \$154,310,000 (2001: \$143,854,000) at fixed exchange rates.

THE COMPANY

At 31st December 2002, the Company had issued corporate guarantees to certain banks and financial institutions in respect of credit facilities drawn by its subsidiaries amounting to approximately \$9,915,088,000 (2001: \$9,248,050,000).

Other than set out above, the Group and the Company did not have any significant commitments and contingent liabilities at 31st December 2002.

30. Operating Lease Arrangements

The Group as lessor

Property rental income earned during the year was \$795,464,000 (2001: \$859,226,000). The property held has committed leases typically running for one to six years.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments in respect of investment properties which fall due as follows:

	2002 \$'000	2001 \$'000
Within one year	708,025	725,530
In the second to fifth years inclusive	814,253	1,015,624
After five years	49,379	32,222
	1,571,657	1,773,376

30. Operating Lease Arrangements (Cont'd)

The Group as lessee

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases in respect of rented premises which fall due as follows:

	2002 \$'000	2001 \$'000
Within one year	1,652	1,812
In the second to fifth years inclusive	1,222	887
	2,874	2,699

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are typically running for one to three years.

31. Related Party Transactions

The Group had the following significant related party transactions during the year and balances at balance sheet date with certain companies in which certain shareholders and directors of the Company have beneficial interest. The transactions were carried out in the normal course of the Group's business on terms mutually agreed between the parties.

	2002 \$'000	2001 \$'000
Transactions for the year ended 31st December		
Trading income	3,754	19,227
Rental income	1,791	2,114
Management fee received	240	240
Rental charges paid for Director's accommodation	2,400	2,400
Cost and expenses incurred for demolition and foundation work	804,671	236,396
Balances as at 31st December		
Amount due from an associate (see note 14)	9,992	–
Debtors, deposits and prepayments		
– Related parties	3,585	16,909
Creditors, deposits and accruals		
– Related parties	80,991	34,169
– Associates	3,074	3,224

32. Particulars of the Principal Subsidiaries

Details of the Company's principal subsidiaries at 31st December 2002 are set out below:

Direct subsidiary	Issued and paid up equity share capital	Principal activity	Percentage of issued equity share capital held by the Company
– incorporated and operating in the British Virgin Islands:			
Jolly Trend Limited	2 shares of US\$1 each	Investment holding	100%
Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong:			
Bon Project Limited	2 shares of HK\$1 each	Property investment	100%
Capital Win Development Limited	2 shares of HK\$1 each	Property investment	100%
Chance Mark Limited	2 shares of HK\$1 each	Property investment	100%
Clever Gain Investment Limited	2 shares of HK\$1 each	Restaurant operation	100%
CP (Portion A) Limited	2 shares of HK\$1 each	Property investment	100%
CP (Portion B) Limited	2 shares of HK\$1 each	Property investment	100%
Ease Billion Development Limited	2 shares of HK\$1 each	Property investment	100%
Easy Wealth Limited	2 shares of HK\$1 each	Property investment	100%

32. Particulars of the Principal Subsidiaries (Cont'd)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong (Cont'd):			
Eaton House International Limited	2 shares of HK\$10 each	Management of furnished apartments	100%
Fortuna Wealth Company Limited	2 shares of HK\$1 each	Property investment	100%
G E Advertising Agency Limited	2 shares of HK\$1 each	Advertising agency	100%
Gold Epoch Investment Limited	2 shares of HK\$1 each	Property investment	100%
Grow On Development Limited	5,000 shares of HK\$1 each	Hotel operation	100%
Harvest Star International Limited	2 shares of HK\$1 each	Hotel operation	100%
Keyesen Engineering Company, Limited	2 shares of HK\$1 each	Maintenance services	100%
Longworth Management Limited	10,000 shares of HK\$1 each	Property management	100%
Million Prime Company Limited	2 shares of HK\$1 each	Property investment	100%
Moon Yik Company, Limited	10,000,000 shares of HK\$1 each	Property investment	100%
Panhy Limited	2 shares of HK\$1 each	Property investment	100%
Renaissance City Development Company Limited	2 shares of HK\$10 each	Property development	100%

32. Particulars of the Principal Subsidiaries (Cont'd)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong (Cont'd):			
Selex Properties Management Company, Limited	2 shares of HK\$1 each	Property management	100%
Strong Dynamic Limited	2 shares of HK\$1 each	Sports club operation	100%
The Great Eagle Company, Limited	2,000,000 shares of HK\$0.5 each	Investment holding	100%
The Great Eagle Development and Project Management Limited	2 shares of HK\$10 each	Project management	100%
The Great Eagle Engineering Company Limited	2 shares of HK\$1 each	Maintenance services	100%
The Great Eagle Estate Agents Limited	2 shares of HK\$10 each	Real estate agency	100%
The Great Eagle Finance Company, Limited	100,000 shares of HK\$100 each	Loan financing	100%
The Great Eagle Insurance Company, Limited	1,000 shares of HK\$1 each	Insurance agency	100%
The Great Eagle Properties Management Company, Limited	100,000 shares of HK\$1 each	Property management	100%
Toptech Co. Limited	600,000 shares of HK\$1 each	Trading of building materials	100%

32. Particulars of the Principal Subsidiaries (Cont'd)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in Hong Kong (Cont'd):			
Venus Glory Company Limited	2 shares of HK\$1 each	Property investment	100%
Well Charm Development Limited	2 shares of HK\$1 each	Property investment	100%
Worth Bright Company Limited	2 shares of HK\$1 each	Property investment	100%
Zamanta Investments Limited	100 shares of HK\$10 each	Property investment	100%
Maple Court Limited	2 shares of HK\$1 each	Property investment	85.93%
Missleton Finance Limited	1,000,000 shares of HK\$1 each	Loan financing	85.93%
Shine Hill Development Limited	1,000,000 shares of HK\$1 each	Property investment	85.93%
– incorporated in the British Virgin Islands and operating in United Kingdom:			
Great Eagle Hotels (UK) Limited	1 share of US\$1	Hotel operation	100%
– incorporated and operating in Canada:			
Great Eagle Hotels (Canada) Limited	10 common shares of C\$1 each	Hotel operation	100%

32. Particulars of the Principal Subsidiaries (Cont'd)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated in the British Virgin Islands and operating in Australia: Katesbridge Group Limited	1 share of US\$1	Investment holding	100%
– incorporated and operating in Australia: Southgate Hotel Management Pty. Ltd.	17,408 shares of A\$2 each	Hotel operation	100%
– incorporated in the British Virgin Islands and operating in New Zealand: Great Eagle Hotels (New Zealand) Limited	1 share of US\$1	Property investment	100%
– incorporated and operating in New Zealand: Great Eagle Hotels (Auckland) Limited	1,000 shares of no par value	Hotel operation	100%

32. Particulars of the Principal Subsidiaries (Cont'd)

Indirect subsidiaries	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
– incorporated and operating in USA:			
* EIH Properties Company – XX, LLC	US\$1,000	Property investment	100%
* Pacific Dolphin Corporation	100 shares of no par value	Property investment	100%
* Pacific Spear Corporation	100 shares of US\$0.001 each	Property investment	100%
* Pacific Ygnacio Corporation	100 shares of no par value	Property investment	100%
* Pacific 888, LLC	US\$4,850,000	Property investment	100%
* Shorthills NJ, Inc.	100 shares of US\$1 each	Property investment	100%

Note: All these subsidiaries have no debt securities subsisting at the end of the year or at any time during the year.

* Companies not audited by Deloitte Touche Tohmatsu.

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the above list contains only the particulars of the subsidiaries which principally affect the results or assets and liabilities of the Group.

33. Particulars of the Principal Associates

Details of the Company's principal associates at 31st December 2002 are set out below:

Indirect associates	Issued and paid up equity share capital	Principal activities	Percentage of issued equity share capital held by the Company
* City Apex Limited	1,000 of US\$1 each	Investment holding	28.57%
Panda-Recruit Limited	1,125,000,000 of HK\$0.05 each	Investment holding and publishing	34.04%

* Company not audited by Deloitte Touche Tohmatsu.