



Notes to the Accounts

31st December, 2002

1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these 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”). They have been prepared under the historical cost convention except that, as disclosed in the accounting policies below, investment properties are stated at fair value.

In the current year, the Group adopted the following Statements of Standard Accounting Practice (“SSAPs”) issued by the HKSA which are effective for accounting periods commencing on or after 1st January, 2002:

SSAP1 (revised)	:	Presentation of financial statements
SSAP11 (revised)	:	Foreign currency translation
SSAP15 (revised)	:	Cash flow statements
SSAP 33	:	Discontinuing operations
SSAP34	:	Employee benefits

The Group has adopted the applicable new and revised standards in the accounting policies below and the adoption of these new and revised standards has no material impact on the prior year’s accounts.

b. Consolidation

The consolidated accounts include the accounts of the company and its subsidiaries made up to 31st December. Subsidiaries are those entities in which the company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued share capital.

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.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group’s share of its net assets together with any unamortised goodwill or negative goodwill or goodwill/negative goodwill taken to reserves and which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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 dividends received and receivable.



Notes to the Accounts (Cont'd)

31st December, 2002

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

c. Associated companies

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

The consolidated profit and loss account includes the Group's share of the results of associated companies for the year, and the consolidated balance sheet includes the Group's share of the net assets of the associated companies and also goodwill/negative goodwill (net of accumulated amortisation) on acquisition.

In the company's balance sheet the investments in associated companies are stated at cost less provision for impairment losses. The results of associated companies are accounted for by the company on the basis of dividends received and receivable.

Equity accounting is discontinued when the carrying amount of the investment in an associated company reaches zero, unless the Group has incurred obligations or guaranteed obligations in respect of the associated company.

d. Revenue recognition

- (i) sale of goods – when risks and rewards of ownership have been transferred to buyers, which generally coincides with the time of the delivery of goods;
- (ii) rental income from letting of investment properties – on a straight line basis over respective periods of the leases;
- (iii) interest income – on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable;
- (iv) agency fee income – when services are rendered.

e. 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, any rental income being negotiated at arm's length.

Investment properties are valued at yearly basis by independent valuers. The valuations are on an open market value basis related to individual properties and separate values are not attributed to land and buildings. The valuations are incorporated in the annual accounts. Increases in valuation are credited to the investment properties revaluation 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 20 years or less are depreciated over the remaining portion of the leases.



Notes to the Accounts (Cont'd)

31st December, 2002

1. PRINCIPAL ACCOUNTING POLICIES (Cont'd)

e. Investment properties (Cont'd)

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

f. Fixed assets

Fixed assets other than investment properties are stated at cost less accumulated depreciation and accumulated impairment losses. Expenditure incurred after the fixed assets have been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the profit and loss account in the year in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed assets, the expenditure is capitalised as an additional cost of the fixed assets.

Depreciation is provided to write off the cost of the assets less accumulated impairment losses on a straight line basis over their estimated useful lives to the Group. The principal annual rates used for this purpose are as follows:

Leasehold land	Over the unexpired period of the leases ranging from 65-900 years
Buildings	2.5%
Leasehold improvements	20%
Furniture, fixtures and office equipment	20%
Motor vehicles	25%

g. Impairment and gain or loss on sale of fixed assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that assets included in 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 to reduce the asset to its recoverable amount. Such impairment losses are recognised in the profit and loss except where the asset is carried at valuation and the impairment loss does not exceed the revaluation surplus for that same asset, in which case it is treated as a revaluation decrease.

The gain or loss on disposal of a fixed asset other than investment properties 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. Any revaluation reserve balance remaining attributable to the relevant asset is transferred to retained earnings and is shown as a movement in reserves.

h. Properties held for resale

Properties held for resale are stated at the lower of cost and net realisable value. Cost comprises of land and development costs. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.



Notes to the Accounts *(Cont'd)*

31st December, 2002

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

i. Investments

Unlisted investments held for long term basis are stated at cost less any provision for impairment losses. 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 investments will be reduced to its fair value. The impairment loss is recognised as an expense in the profit and loss account.

This impairment loss is written back to profit and loss when the circumstances and events that led to the write-downs or write-offs cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

j. Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, calculated on the first-in, first-out basis, represents invoiced value from suppliers. Net realisable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

k. Accounts receivable

Provision is made against accounts receivable to the extent they are considered to be doubtful. Accounts receivable in the balance sheet is stated net of such provision.

l. 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 payable or recoverable in the foreseeable future.

m. Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at the balance sheet date. Exchange differences arising in these cases are dealt with in the profit and loss account.

The balance sheet of subsidiaries and associated companies expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss is translated at an average rate. Exchange differences are dealt with as a movement in reserves.

n. Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases net of any incentives received from the leasing company are charged to the profit and loss account on a straight line basis over the lease periods.



Notes to the Accounts *(Cont'd)*

31st December, 2002

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

o. Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave, sick leave and maternity or paternity leave are not recognised until the time of leave.

(ii) Retirement benefit costs

The Group operates a defined contribution retirement scheme which is available to all employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. Contributions to the scheme by the Group and employees are calculated as a percentage of employees' relevant income. The retirement benefit scheme cost charged to the profit and loss account represents contributions paid/payable by the Group to the fund. The Group's contributions to the scheme are expensed as incurred.

p. Borrowing costs

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

q. 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 fixed assets, inventories, and receivables. Segment liabilities comprise operating liabilities and exclude items such as taxation and certain corporate borrowings. Capital expenditure comprises additions to fixed assets.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

r. Negative goodwill

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

For acquisitions after 1st January, 2001, negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the income statement when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the non-monetary assets acquired, is recognised in the income statement over the remaining weighted average useful life of those assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the income statement immediately.



Notes to the Accounts *(Cont'd)*

31st December, 2002

1. PRINCIPAL ACCOUNTING POLICIES *(Cont'd)*

r. Negative goodwill *(Cont'd)*

For acquisitions prior to 1st January, 2001, negative goodwill was taken directly to reserves arising on consolidation.

s. Cash flow statement

The presentation and classification of items in the cash flow statement have been changed due to the adoption of SSAP15 (revised). As a result, cash flow during the year has been reclassified by operating, investing and financing activities. For the year ended 31st December, 2001, net cash outflow from taxation and interest paid of approximately HK\$21,465,000 have been reclassified as operating cash flow, interest received of approximately HK\$2,622,000 have been reclassified as investing cash flow.

t. 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, banks overdrafts and trust receipt loans.

u. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

v. Contingent liabilities

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

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



Notes to the Accounts (Cont'd)

31st December, 2002

2. TURNOVER, REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in general trading, property investment and real estate agency services.

Revenues recognised during the year are as follows:

	GROUP	
	2002	2001
	HK\$	HK\$
Turnover		
Sale of goods	652,793,404	672,066,371
Gross rental income from investment properties	22,669,739	25,645,063
Agency fee income	1,247,152	1,887,344
	<hr/>	<hr/>
	676,710,295	699,598,778
Other revenue		
Interest income	1,505,020	2,630,547
	<hr/>	<hr/>
Total revenues	<u>678,215,315</u>	<u>702,229,325</u>

Primary reporting format – business segments

The Group is organised into three main business segments:

- General trading – trading of feed and grains
- Property investment – rental income from investment properties and sale proceeds of properties held for resale
- Real estate agency services – provision of real estate agency services

There are no sales or other transactions between the business segments.

Secondary reporting format – geographical segments

The Group operates in three main geographical areas:

- Hong Kong – rental income from investment properties
- Mainland China – trading of feed and grains, rental income from investment properties, selling of properties and provision of real estate agency services
- Philippines – trading of feed and grains

There are no sales between the geographical segments.



Notes to the Accounts (Cont'd)

31st December, 2002

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

Primary reporting format – business segments

	General trading 2002 HK\$	Property investment 2002 HK\$	Real estate agency services 2002 HK\$	Group 2002 HK\$
Turnover	652,793,404	22,669,739	1,247,152	676,710,295
Segment results	(13,336,185)	16,233,367	(1,683,883)	1,213,299
Interest income				1,505,020
Judgement debt with related legal cost				(10,448,852)
Gain on disposal of investment properties				41,102,074
Unallocated corporate expenses				(13,792,729)
Operating profit				19,578,812
Finance costs				(11,898,254)
Share of profits of associated companies		2,019,820		2,019,820
Profit before taxation				9,700,378
Taxation				(2,509,451)
Profit after taxation				7,190,927
Minority interests				60,632
Profit attributable to shareholders				7,251,559
Segment assets	15,673,895	539,069,526	485,685	555,229,106
Investment in associated companies		119,649,258		119,649,258
Unallocated assets				86,792,771
Total assets				761,671,135
Segment liabilities	8,860,682	19,038,559	1,154,036	29,053,277
Unallocated liabilities				279,462,909
Total liabilities				308,516,186
Capital expenditure	1,007,320	947,233	25,086	1,979,639
Depreciation	182,395	1,773,237	217,656	2,173,288



Notes to the Accounts (Cont'd)

31st December, 2002

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

Primary reporting format – business segments

	General trading 2001 HK\$	Property investment 2001 HK\$	Real estate agency services 2001 HK\$	Group 2001 HK\$
Turnover	<u>672,066,371</u>	<u>25,645,063</u>	<u>1,887,344</u>	<u>699,598,778</u>
Segment results	<u>(10,990,936)</u>	<u>15,695,967</u>	<u>(2,879,547)</u>	1,825,484
Interest income				2,630,547
Impairment of land and buildings				(10,761,148)
Unallocated corporate expenses				<u>(12,862,116)</u>
Operating loss				(19,167,233)
Finance costs				(20,178,967)
Share of profits of associated companies		3,572,705		<u>3,572,705</u>
Loss before taxation				(35,773,495)
Taxation				<u>(171,576)</u>
Loss after taxation				(35,945,071)
Minority interests				<u>(1,212)</u>
Loss attributable to shareholder				<u>(35,946,283)</u>
Segment assets	8,192,418	571,508,199	2,122,104	581,822,721
Investments in associated companies		127,139,498		127,139,498
Unallocated assets				<u>81,591,654</u>
Total assets				<u>790,553,873</u>
Segment liabilities	28,194,536	18,266,264	1,210,474	47,671,274
Unallocated liabilities				<u>250,063,647</u>
Total liabilities				<u>297,734,921</u>
Capital expenditure	27,021	394,029	56,182	477,232
Depreciation	125,696	1,964,117	261,359	2,351,172



Notes to the Accounts (Cont'd)

31st December, 2002

2. TURNOVER, REVENUE AND SEGMENT INFORMATION (Cont'd)

Secondary reporting format – geographical segments

	Turnover	Segment	Total	Capital
	2002	results	assets	expenditure
	HK\$	2002	2002	2002
		HK\$	HK\$	HK\$
Hong Kong	14,399,823	10,828,488	384,137,164	273,734
Mainland China	607,505,746	(8,631,616)	243,369,716	1,705,905
Philippines	34,556,486	(706,261)	–	–
Others	20,248,240	(277,312)	14,514,997	–
	<u>676,710,295</u>	1,213,299	642,021,877	<u>1,979,639</u>
Interest income		1,505,020		
Judgement debt with related legal cost		(10,448,852)		
Gain on disposal of investment properties		41,102,074		
Unallocated costs		(13,792,729)		
Operating profit		<u>19,578,812</u>		
Investment in associated companies			119,649,258	
Total assets			<u>761,671,135</u>	
	Turnover	Segment	Total	Capital
	2001	results	assets	expenditure
	HK\$	2001	2001	2001
		HK\$	HK\$	HK\$
Hong Kong	17,138,281	13,616,420	426,878,438	147,498
Mainland China	600,544,016	(10,410,112)	221,427,622	329,734
Philippines	74,555,193	(1,412,427)	–	–
Others	7,361,288	31,603	15,108,315	–
	<u>699,598,778</u>	1,825,484	663,414,375	<u>477,232</u>
Interest income		2,630,547		
Impairment of land and buildings		(10,761,148)		
Unallocated costs		(12,862,116)		
Operating loss		<u>(19,167,233)</u>		
Investment in associated companies			127,139,498	
Total assets			<u>790,553,873</u>	



Notes to the Accounts (Cont'd)

31st December, 2002

3. OPERATING PROFIT/(LOSS)

	GROUP	
	2002	2001
	HK\$	HK\$
Operating profit/(loss) is stated after crediting and charging the following:		
Crediting		
Gain on disposal of investment properties	41,102,074	–
Gain on disposal of fixed assets	–	50,190
Reversal of provision on discontinued ship chartering operation	–	1,948,050
	<u>41,102,074</u>	<u>2,098,240</u>
Charging		
Depreciation of fixed assets	2,173,288	2,351,172
Staff costs (excluding directors' emoluments)		
Wages and salaries	10,501,587	11,194,982
Retirement benefit costs – defined contribution plan	234,244	271,687
Operating lease rentals in respect of land and buildings	1,928,975	2,161,416
Outgoings in respect of investment properties	4,031,540	3,603,358
Loss on disposal of fixed assets	98,424	–
Auditors' remuneration	563,100	648,225
Judgement debt (Note)	8,948,852	–
Provision for charterhire receivables	–	1,807,608
Impairment of land and buildings	–	10,761,148
	<u>21,978,486</u>	<u>28,038,996</u>

Note: This represents payment for a legal claim pursuant to the ruling of the High Court of Hong Kong.

4. FINANCE COSTS

	GROUP	
	2002	2001
	HK\$	HK\$
Interest on bank loans		
– repayable within 5 years	9,138,926	11,928,184
– repayable over 5 years	2,759,328	7,744,272
	<u>11,898,254</u>	<u>19,672,456</u>
Interest on advance from a minority shareholder (Note 20)	–	506,511
	<u>11,898,254</u>	<u>20,178,967</u>



Notes to the Accounts (Cont'd)

31st December, 2002

5. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

(a) Directors' emoluments

The directors' emoluments of the Company disclosed pursuant to Section 161 of the Hong Kong Companies Ordinance are as follows:

	2002 HK\$	2001 HK\$
Independent Non-Executive Directors' Fees	240,000	300,000
Emoluments of Executive Directors		
Salaries and other benefits	3,370,470	4,371,689
Retirement benefit contribution	15,000	24,000
	<u>3,625,470</u>	<u>4,695,689</u>

The number of directors in different emolument bands are as follows:

Emolument bands	Number of directors	
	2002	2001
HK\$ Nil to HK\$1,000,000	5	4
HK\$1,500,001 to HK\$2,000,000	–	1
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	–	1
	<u>–</u>	<u>1</u>

(b) Employees' emoluments

The five highest paid employees of the Group during the year ended 31st December, 2002 included one director (2001: two). The emoluments of the remaining four (2001: three) employees are as follows:

	2002 HK\$	2001 HK\$
Salaries and other benefits	2,559,362	2,735,400
Discretionary bonuses	88,800	–
Retirement benefit contribution	72,472	76,176
	<u>2,720,634</u>	<u>2,811,576</u>



Notes to the Accounts (Cont'd)

31st December, 2002

5. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (Cont'd)

(b) Employees' emoluments (Cont'd)

The remaining four (2001: three) highest paid employees in different emolument bands are as follows:

Emolument bands	Number of employees	
	2002	2001
HK\$ Nil to HK\$1,000,000	4	2
HK\$1,000,001 to HK\$1,500,000	–	1

6. TAXATION

No provision for Hong Kong profits tax has been made in the accounts as companies within the Group have no assessable profit for the year (2001: 16%). Taxation on overseas profits has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries in which the Group operates.

(a) The amount of taxation charged to the consolidated profit and loss account represents:

	GROUP	
	2002	2001
	HK\$	HK\$
Hong Kong profits tax		
– under/(over) provisions in prior years	146,376	(432,647)
Overseas taxation		
– current	1,253,410	355,746
– under provision in prior years	912,000	–
	2,311,786	(76,901)
Share of taxation attributable to an associated company	197,665	248,477
	2,509,451	171,576



Notes to the Accounts (Cont'd)

31st December, 2002

6. TAXATION (Cont'd)

(b) The major components of deferred taxation that have not been provided for are as follows:

	GROUP		COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Accelerated capital allowances	21,000	87,000	(8,000)	(9,000)
Estimated tax losses	(16,253,000)	(18,164,000)	(3,534,000)	(3,080,000)
Surplus arising on revaluation of investment properties in Mainland China	27,415,000	27,415,000	–	–
	11,183,000	9,338,000	(3,542,000)	(3,089,000)
Share of associated company's surplus arising on revaluation of investment properties in Mainland China	37,677,000	37,677,000	–	–
	48,860,000	47,015,000	(3,542,000)	(3,089,000)

The revaluation of investment properties in Hong Kong does not constitute a timing difference for deferred taxation purposes as realisation of the revaluation surplus would not result in a taxation liability. Deferred taxation has not been provided for in respect of revaluation surplus arising from the revaluation of the Group's investment properties located in Mainland China as the directors have no intention to dispose of the properties and consider that it is not probable a liability will crystallise in the foreseeable future. No provision for other deferred taxation asset has been made in the accounts as it is uncertain whether the asset will crystallise in the foreseeable future.

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\$20,443,307 (2001: loss of HK\$16,649,914).

8. EARNINGS/(LOSS) PER SHARE

Earnings per share is calculated based on the profit attributable to shareholders of the Group for the year of HK\$7,251,559 (2001: loss of HK\$35,946,283) and 261,684,910 shares (2001: 261,684,910 shares) of the Company in issue during the year.

No diluted earnings/(loss) per share has been presented for current and prior years because the exercise of the options have no dilutive effect for the years.



Notes to the Accounts (Cont'd)

31st December, 2002

9. FIXED ASSETS

(a) GROUP

	Land and Buildings			Furniture, Fixtures &	Motor Vehicles	Total
	Investment	Other	Leasehold	Office		
	Properties	Properties	Improvement	Equipment		
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Cost or valuation						
Brought forward						
Cost	–	64,875,490	8,620,551	6,147,838	2,932,317	82,576,196
Valuation	476,610,496	–	–	–	–	476,610,496
	476,610,496	64,875,490	8,620,551	6,147,838	2,932,317	559,186,692
Exchange adjustment	171,112	–	–	3,398	–	174,510
Additions	–	630,991	399,566	147,911	801,171	1,979,639
Disposals	(45,800,000)	–	(1,274,281)	(39,377)	(212,479)	(47,326,137)
Revaluation	(5,789,712)	–	–	–	–	(5,789,712)
Carried forward						
Cost	–	65,506,481	7,745,836	6,259,770	3,521,009	83,033,096
Valuation	425,191,896	–	–	–	–	425,191,896
	425,191,896	65,506,481	7,745,836	6,259,770	3,521,009	508,224,992
Aggregate depreciation and impairment						
Brought forward	–	45,555,676	6,470,844	4,533,561	2,522,029	59,082,110
Exchange adjustment	–	–	–	1,901	–	1,901
Current charge	–	381,883	964,975	624,453	201,977	2,173,288
Disposals	–	–	(1,082,840)	(38,194)	(212,479)	(1,333,513)
Carried forward	–	45,937,559	6,352,979	5,121,721	2,511,527	59,923,786
Net book value at						
31st December 2002	<u>425,191,896</u>	<u>19,568,922</u>	<u>1,392,857</u>	<u>1,138,049</u>	<u>1,009,482</u>	<u>448,301,206</u>
Net book value at						
31st December 2001	<u>476,610,496</u>	<u>19,319,814</u>	<u>2,149,707</u>	<u>1,614,277</u>	<u>410,288</u>	<u>500,104,582</u>



Notes to the Accounts (Cont'd)

31st December, 2002

9. FIXED ASSETS (Cont'd)

(a) GROUP (Cont'd)

The net book value of the Group's interests in land and buildings comprises:

	Hong Kong	Outside	
	Hong Kong	Hong Kong	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Investment properties:			
Freehold	–	13,397,400	13,397,400
Leases of between 10 to 50 years	50,400,000	–	50,400,000
Leases of over 50 years	227,800,000	133,594,496	361,394,496
	<u>278,200,000</u>	<u>146,991,896</u>	<u>425,191,896</u>
Other properties:			
Leases of over 50 years	16,093,748	3,475,174	19,568,922
	<u>16,093,748</u>	<u>3,475,174</u>	<u>19,568,922</u>
	<u>294,293,748</u>	<u>150,467,070</u>	<u>444,760,818</u>

Freehold investment properties situated in Vancouver, Canada were valued on the basis of their open market value as at the balance sheet date by Niemi LaPorte & Dowle Appraisals Limited, a member of the Appraisal Institute of Canada. Other investment properties were valued on an open market value basis as at the balance sheet date by A. G. Wilkinson & Associates, an independent firm of chartered surveyors.

As at the balance sheet date, certain land and buildings with an aggregate net book value of HK\$442,089,378 (2001: HK\$493,207,463) were pledged to banks to secure the Group's banking facilities to the extent of approximately HK\$316,400,000 (2001: HK\$395,600,000).



Notes to the Accounts (Cont'd)

31st December, 2002

9. FIXED ASSETS (Cont'd)

(b) COMPANY

	Furniture, Fixtures and Office Equipment	Motor Vehicles	Total
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Cost			
Brought forward	1,184,629	213,374	1,398,003
Additions	3,485	–	3,485
Disposals	–	(212,479)	(212,479)
	<hr/>	<hr/>	<hr/>
Carried forward	1,188,114	895	1,189,009
Aggregate depreciation			
Brought forward	1,125,857	213,374	1,339,231
Current charge	27,094	–	27,094
Disposals	–	(212,479)	(212,479)
	<hr/>	<hr/>	<hr/>
Carried forward	1,152,951	895	1,153,846
Net book value			
at 31st December, 2002	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
at 31st December, 2001	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

10. INTERESTS IN SUBSIDIARIES

	COMPANY	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Unlisted shares, at cost	51,215,939	51,215,947
Due from subsidiaries	259,036,273	235,837,896
	<hr/>	<hr/>
Due to subsidiaries	310,252,212	287,053,843
	(62,686,895)	(103,296,420)
	<hr/>	<hr/>
	<hr/> <hr/>	<hr/> <hr/>

The amounts due from/(to) subsidiaries are unsecured, interest free and have no fixed terms for repayment.



Notes to the Accounts (Cont'd)

31st December, 2002

10. INTERESTS IN SUBSIDIARIES (Cont'd)

Details of the principal subsidiaries as at the balance sheet date are set out below:

Name of company	Issued and fully paid share/registered capital		Effective percentage holding		Principal activities
			2002	2001	
Incorporated in Hong Kong					
Alliance Pacific Investment Limited *	Ordinary	HK\$2	100%	100%	Property holding in Beijing, China
Allon Trading Limited	Ordinary	HK\$2	100%	100%	Securities trading and money lending
Capital Head Investment Limited *	Ordinary	HK\$2	100%	100%	Property investment operates in Shanghai, China
Concord Trinity Development Limited *	Ordinary	HK\$2	100%	100%	Property investment operates in Shanghai, China
	Non- voting deferred	HK\$2			
Conwell Properties Limited	Ordinary	HK\$2	100%	100%	Real estate agent
Focus General Limited *	Ordinary	HK\$2	100%	100%	Investment holding
	Non- voting deferred	HK\$9,999			
G.C. Luckmate Trading Limited *	Ordinary	HK\$4,000,000	95%	95%	General trading
G.C. Luckmate Trading * (Asia) Limited	Ordinary	HK\$2	100%	–	General trading
G.C. Luckmate Trading * (International) Limited	Ordinary	HK\$2	100%	–	General trading
G.C. Nominees Limited	Ordinary	HK\$2	100%	100%	Investment holding
Glory South Investment Limited *	Ordinary	HK\$2	100%	100%	Property holding in Hainan, China
Halesite Limited	Ordinary	HK\$4,000,000	100%	100%	Property investment
Honour Alliance Development Limited *	Ordinary	HK\$2	100%	100%	Property investment
Jelson Enterprises Limited *	Ordinary	HK\$2	100%	100%	Property investment operates in Shanghai, China
	Non- voting deferred	HK\$2			



Notes to the Accounts (Cont'd)

31st December, 2002

10. INTERESTS IN SUBSIDIARIES (Cont'd)

Name of company	Issued and fully paid share/registered capital		Effective percentage holding		Principal activities
			2002	2001	
New Solution Consultants Limited	Ordinary	HK\$2	100%	100%	Investment holding
Silver Regent Development Limited *	Ordinary	HK\$2	100%	100%	Property investment
Star Talent Investment Limited *	Ordinary	HK\$2	100%	100%	Property holding in Beijing, China
Sunison Development Limited	Ordinary	HK\$2	100%	100%	Investment holding
Tai Loy Trading Company Limited	Ordinary	HK\$43,440,000	100%	100%	Investment holding
Incorporated in the British Virgin Islands					
Adamgate Limited *	Ordinary	US\$1	100%	100%	Investment holding
Dajen Properties Limited	Ordinary	US\$1	100%	100%	Investment holding
Fairlight Limited *	Ordinary	US\$1	100%	100%	Investment holding
Great China Commodities Limited *	Ordinary	US\$10,000	95%	95%	Investment holding
Great China Development (Shanghai) Limited	Ordinary	US\$10	100%	100%	Investment holding
Orlando Finance Limited *	Bearer	US\$1	100%	100%	Financing
Pakka Properties Limited *	Ordinary	US\$1	100%	100%	Investment holding
Po Kok Holdings Limited	Ordinary	US\$10	100%	100%	Property holding in Shanghai, China
Poppins Properties Limited *	Ordinary	US\$50,000	95%	95%	Investment holding
Incorporated in Canada					
549653 B. C. Limited	Common	CAD1	100%	100%	Property investment operates in Vancouver, Canada



Notes to the Accounts (Cont'd)

31st December, 2002

10. INTERESTS IN SUBSIDIARIES (Cont'd)

Name of company	Issued and fully paid share/registered capital	Effective percentage holding		Principal activities
		2002	2001	
Established in the People's Republic of China				
Beijing Haode Business Consultancy Company Limited *	Registered US\$200,000 capital	100%	100%	Real estate agent operates in Beijing, China
<i>(a foreign equity joint venture enterprise)</i>				
Haode Property Management (Shanghai) Company Limited	Registered US\$500,000 capital	100%	100%	Real estate agent operates in Shanghai, China
<i>(a wholly foreign owned investment enterprise)</i>				
Qingdao Parada International Heating Company Limited *	Registered US\$360,000 capital	63%	63%	Boiler trading operates in Qingdao, China
<i>(a foreign equity joint venture enterprise)</i>				
博平置業(上海)有限公司 *	Registered US\$8,460,000 capital	95%	95%	Property investment in Shanghai, China
<i>(a wholly foreign owned investment enterprise)</i>				

All subsidiaries operate in Hong Kong except otherwise stated.

Except for those subsidiaries marked with an asterisk "*", the above subsidiaries are all held directly by the Company.



Notes to the Accounts (Cont'd)

31st December, 2002

11. INTERESTS IN ASSOCIATED COMPANIES

	GROUP		COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Share of net assets	77,330,327	75,504,187	–	–
Due from associated companies	<u>42,318,931</u>	<u>51,635,311</u>	<u>42,318,931</u>	<u>51,635,311</u>
	<u>119,649,258</u>	<u>127,139,498</u>	<u>42,318,931</u>	<u>51,635,311</u>

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

Consolidated financial information of the associated companies is as follows:

	GROUP	
	2002 HK\$	2001 HK\$
Turnover	<u>9,191,476</u>	<u>11,601,348</u>
Profit for the year	<u>4,237,570</u>	<u>7,730,762</u>
Fixed assets	328,155,776	328,402,265
Current assets	6,268,176	7,736,770
Current liabilities	(34,340,442)	(10,842,312)
Shareholders' loan	(98,416,117)	(120,082,117)
Long term bank loan-non current portion	<u>(21,829,423)</u>	<u>(29,623,475)</u>
Shareholders' funds	<u>179,837,970</u>	<u>175,591,131</u>

The investment properties included in fixed assets were valued at HK\$327,600,000 (2001: HK\$327,600,000) on an open market value basis as at the balance sheet date by A.G. Wilkinson & Associates, an independent firm of chartered surveyors. The investment properties were pledged to banks to secure one of the associated companies' banking facilities.



Notes to the Accounts (Cont'd)

31st December, 2002

11. INTERESTS IN ASSOCIATED COMPANIES (Cont'd)

Details of associated companies at the balance sheet date are as follows:

Name of company	Place of incorporation/ establishment	Particulars of issued shares/ registered capital	Effective percentage holding		Principal activities
			2002	2001	
Samstrong International Limited	British Virgin Islands	Ordinary US\$100	43%	43%	Investment holding
Da Da Development (Shanghai) Corporation <i>(a wholly foreign owned investment enterprise)</i>	The People's Republic of China	Registered capital US\$10,200,000	43%	43%	Property investment in Shanghai, China

12. LONG TERM INVESTMENTS

	GROUP	
	2002 HK\$	2001 HK\$
Unlisted shares, at cost		
– Hainan Yangpu Land Development Company Limited	50,000,000	50,000,000
Less: Provision for impairment	(50,000,000)	(50,000,000)
	–	–
Club debentures, at cost	3,221,056	3,221,056
	3,221,056	3,221,056

13. PROPERTIES HELD FOR RESALE

These relate to certain floors with a gross floor area of about 16,000 square metres (the “Properties”) in a residential development in Jing An District, Shanghai which the Group acquired through public auction. The transfer of the legal title of the Properties to the Group was completed in 2001 and the Group started to sell the Properties in late December.

As at the balance sheet date, the Properties were pledged to a bank to secure the Group’s banking facilities to the extent of approximately HK\$25,000,000 (2001: Nil)



Notes to the Accounts (Cont'd)

31st December, 2002

14. INVENTORIES

	GROUP	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Merchandise, at cost	2,055,049	2,059,077
Stock-in-transit, at cost	–	1,382,198
	<u>2,055,049</u>	<u>3,441,275</u>

15. ACCOUNTS RECEIVABLE AND PREPAYMENTS

	GROUP		COMPANY	
	2002	2001	2002	2001
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Trade receivables	8,861,572	2,444,457	–	–
Bills receivable	1,716,128	–	–	–
Trade and bills receivables (<i>Note (a)</i>)	10,577,700	2,444,457	–	–
Prepayments and deposits	1,707,947	1,639,647	766,746	754,151
Other receivables	1,504,978	1,750,942	232,834	118,466
	<u>13,790,625</u>	<u>5,835,046</u>	<u>999,580</u>	<u>872,617</u>

Note:

- (a) The majority of the Group's turnover is on letter of credit or documents against payment. The credit terms given to the customers vary and are generally based on the financial strength of individual customers. In order to effectively manage the credit risks associated with trade debts, credit evaluations of customers are performed periodically.

At 31st December, 2002, the ageing analysis of the trade and bills receivables were as follows:

	GROUP	
	2002	2001
	<i>HK\$</i>	<i>HK\$</i>
Less than 30 days	8,753,925	37,032
30-60 days	900,082	172,263
61-90 days	71,864	336,841
Over 90 days	851,829	1,898,321
	<u>10,577,700</u>	<u>2,444,457</u>



Notes to the Accounts (Cont'd)

31st December, 2002

16. BANK BALANCES, PLEDGED

As at the balance sheet date, cash and bank balances amounted to HK\$62,296,200 for the Group and HK\$38,400,000 for the Company (2001: HK\$65,893,211 for the Group and HK\$40,052,399 for the Company) were pledged to banks to secure general banking facilities.

17. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

	GROUP		COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Trade and bills payable	2,292,722	1,403,823	–	–
Other payables	2,437,325	21,968,617	145,813	458,125
Accruals	9,544,505	9,627,481	888,762	960,565
	<u>14,274,552</u>	<u>32,999,921</u>	<u>1,034,575</u>	<u>1,418,690</u>

At 31st December, 2002, the ageing analysis of the trade and bills payable were as follows:

	GROUP	
	2002 HK\$	2001 HK\$
Less than 30 days	2,292,722	1,242,840
30-60 days	–	35,007
61-90 days	–	791
Over 90 days	–	125,185
	<u>2,292,722</u>	<u>1,403,823</u>

18. SHARE CAPITAL

	COMPANY	
	2002 HK\$	2001 HK\$
Authorised 500,000,000 (2001: 500,000,000) ordinary shares of HK\$0.20 each	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid 261,684,910 (2001: 261,684,910) ordinary shares of HK\$0.20 each	<u>52,336,982</u>	<u>52,336,982</u>



Notes to the Accounts (Cont'd)

31st December, 2002

19. RESERVES

	GROUP		COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
SHARE PREMIUM ACCOUNT	19,516,419	19,516,419	19,516,419	19,516,419
INVESTMENT PROPERTIES				
REVALUATION RESERVE				
Brought forward	369,292,001	367,238,161	–	–
Reserve realised upon disposal of investment properties	(41,102,074)	–	–	–
(Deficit)/surplus on revaluation	(5,789,712)	2,053,840	–	–
Carried forward	322,400,215	369,292,001	–	–
EXCHANGE FLUCTUATION RESERVE				
Brought forward	1,254,763	1,707,505	–	–
Arising on translation of the accounts of overseas subsidiaries and an associated company during the year	(23,776)	(452,742)	–	–
Carried forward	1,230,987	1,254,763	–	–
RESERVE ARISING ON CONSOLIDATION				
Brought and carried forward	1,441,177	1,441,177	–	–
RETAINED PROFITS				
Brought forward	48,977,610	84,923,893	108,573,074	125,222,988
Profit/(loss) for the year	7,251,559	(35,946,283)	20,443,307	(16,649,914)
Carried forward	56,229,169	48,977,610	129,016,381	108,573,074
TOTAL RESERVES	400,817,967	440,481,970	148,532,800	128,089,493
Retained by:				
Company and subsidiaries				
– Share premium account	19,516,419	19,516,419		
– Investment properties revaluation reserve	258,022,715	304,914,501		
– Exchange fluctuation reserve	136,802	164,893		
– Reserve arising on consolidation	1,441,177	1,441,177		
– Retained profits	44,370,527	38,941,123		
	323,487,640	364,978,113		
Associated companies				
– Investment properties revaluation reserve	64,377,500	64,377,500		
– Exchange fluctuation reserve	1,094,185	1,089,870		
– Retained profits	11,858,642	10,036,487		
	77,330,327	75,503,857		
	400,817,967	440,481,970		



Notes to the Accounts (Cont'd)

31st December, 2002

20. ADVANCE FROM A MINORITY SHAREHOLDER

The advance from a minority shareholder is unsecured, interest free and is not repayable within twelve months from the balance sheet date (2001: HK\$6,408,508 bears basic interest at 10% per annum).

On 5th September, 2001, an option was granted to the minority shareholder to convert an advance of HK\$6,408,508 (2001: HK\$6,408,508) into share capital of the subsidiary within a period of three years upto 4th September, 2004 at an exercise price of HK1,234.13 per share. No option was being exercised during the year. In the event that the option exercised, the minority interest's equity in the subsidiary would be increased from 4.82% to 14.41%.

21. BANK LOANS, SECURED – NON-CURRENT PORTION

	GROUP		COMPANY	
	2002	2001	2002	2001
	HK\$	HK\$	HK\$	HK\$
The analysis of the secured bank loans is as follows:				
Wholly repayable within five years	204,365,800	79,229,678	110,058,162	32,005,778
Not wholly repayable within five years	49,489,129	130,660,160	18,750,000	63,333,433
	<u>253,854,929</u>	<u>209,889,838</u>	<u>128,808,162</u>	<u>95,339,211</u>
Current portion of secured bank loans	<u>(52,425,857)</u>	<u>(38,368,595)</u>	<u>(31,288,654)</u>	<u>(30,537,657)</u>
Non-current portion of secured bank loans	<u>201,429,072</u>	<u>171,521,243</u>	<u>97,519,508</u>	<u>64,801,554</u>



Notes to the Accounts (Cont'd)

31st December, 2002

21. BANK LOANS, SECURED – NON-CURRENT PORTION (Cont'd)

At 31st December, 2002, the Group's bank loans were repayable as follows:

	GROUP		COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Within one year or on demand	52,425,857	38,368,595	31,288,654	30,537,657
In the second year	77,329,000	18,262,351	24,002,713	10,855,313
In the third to fifth year	74,610,943	98,783,923	54,766,795	29,762,809
After the fifth year	49,489,129	54,474,969	18,750,000	24,183,432
	<u>253,854,929</u>	<u>209,889,838</u>	<u>128,808,162</u>	<u>95,339,211</u>
Less: Amount due within one year included in current liabilities	<u>(52,425,857)</u>	<u>(38,368,595)</u>	<u>(31,288,654)</u>	<u>(30,537,657)</u>
Bank loans, secured – non-current portion	<u>201,429,072</u>	<u>171,521,243</u>	<u>97,519,508</u>	<u>64,801,554</u>

Bank loans were secured on certain investment properties and fixed assets (Note 9), bank deposits (Note 16), properties held for resale (Note 13), issued shares of certain subsidiary companies and assignment of rental income. Guarantees were also given by the Company in respect of certain subsidiaries' borrowings (Note 23).



Notes to the Accounts (Cont'd)

31st December, 2002

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of operating profit/(loss) after finance costs to net cash outflow from operating activities

	2002 <i>HK\$</i>	2001 <i>HK\$</i>
Operating profit/(loss) after finance costs	7,680,558	(39,346,200)
Interest expenses	11,898,254	20,178,967
Interest income	(1,505,020)	(2,630,547)
Depreciation charges	2,173,288	2,351,172
Gain on disposal of investment properties	(41,102,074)	–
Loss/(gain) on disposal of fixed assets	98,424	(50,190)
Impairment of land and buildings	–	10,761,148
Gain on disposal of equity interests in subsidiaries	–	(503)
Increase in properties held for resale	(23,232,074)	(69,048,600)
Decrease in deposits receivable	3,150,940	69,812,978
Decrease/(increase) in inventories	1,386,226	(1,115,912)
(Increase)/decrease in accounts receivables and prepayments	(7,809,305)	79,308,329
Decrease in accounts payable and accrued expenses	(18,625,753)	(56,471,744)
Decrease in rental deposits received	(812,241)	(218,143)
	<hr/>	<hr/>
Net cash (outflow)/inflow generated from operations	(66,698,777)	13,530,755
Interest paid	(11,997,870)	(20,096,959)
Hong Kong profits tax paid	–	(623,706)
Overseas tax paid	(277,943)	(743,882)
	<hr/>	<hr/>
Net cash outflow from operating activities	<u>(78,974,590)</u>	<u>(7,933,792)</u>



Notes to the Accounts (Cont'd)

31st December, 2002

22. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (Cont'd)

(b) Analysis of changes in financing during the year

	Secured bank loans		Minority interests	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
Balance brought forward	209,889,838	203,976,685	1,980,982	1,979,770
Net receipt on secured bank loans	43,965,091	5,913,153	–	–
Minority interests in share of (loss)/profits	–	–	(60,632)	1,212
Acquisition of 55% equity interest in a subsidiary	–	–	508,680	–
	<u>253,854,929</u>	<u>209,889,838</u>	<u>2,429,030</u>	<u>1,980,982</u>

(c) Sale of subsidiaries

	2002 HK\$	2001 HK\$
Net assets disposed of:		
Investment properties	–	8,000,000
Prepaid expenses	–	499
	<u>–</u>	<u>8,000,499</u>
Gain on disposal	–	503
	<u>–</u>	<u>8,001,002</u>
Satisfied by:		
Cash	–	8,001,002
	<u>–</u>	<u>8,001,002</u>



Notes to the Accounts (Cont'd)

31st December, 2002

23. CONTINGENT LIABILITIES AND COMMITMENTS

	GROUP		COMPANY	
	2002 HK\$	2001 HK\$	2002 HK\$	2001 HK\$
a. Contingent liabilities:				
Bills discounted with recourse	11,999,910	3,601,260	–	–
Guarantees for banking facilities utilized by:				
– subsidiaries	–	–	303,469,181	240,681,898
– an associated company	23,272,212	16,092,094	23,272,212	16,092,094
	<u>35,272,122</u>	<u>19,693,354</u>	<u>326,741,393</u>	<u>256,773,992</u>

Management anticipate that no material liabilities will arise from the above bank and other guarantees which arose in the ordinary course of business.

b. Commitments under operating leases:

Future aggregate minimum lease payments under non-cancellable operating leases on land and buildings as follows:

	GROUP	
	2002 HK\$	2001 HK\$
– not later than one year	957,048	1,735,274
– later than one year and not later than five years	–	2,888,644
– later than five years	–	722,161
	<u>957,048</u>	<u>5,346,079</u>

Future aggregate minimum lease rental payments receivable under non-cancellable operating leases on land and buildings as follows:

– Not later than one year	14,538,624	13,875,883
– Later than one year and not later than five years	8,762,288	13,255,853
– Later than five years	5,043,216	8,347,392
	<u>28,344,128</u>	<u>35,479,128</u>



Notes to the Accounts *(Cont'd)*

31st December, 2002

24. ULTIMATE HOLDING COMPANY

The directors regard Asian Pacific Investment Corporation, a company incorporated in Panama, as being its ultimate holding company.

25. APPROVAL OF ACCOUNTS

The accounts were approved by the Board of Directors on 26th March, 2003.