

Notes to the Financial Statements for the year ended 31st December, 2002

1. GENERAL

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

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 19.

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 ("SSAP(s)") issued by the Hong Kong Society of Accountants. The adoption of these SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, and in the adoption of the following new and revised accounting policies but has had no material effect on the results for the current or prior accounting periods. Accordingly, no prior period adjustment has been required.

Foreign Currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of overseas operations at the closing rate for the period, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

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 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. Cash flows of overseas operations have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

Employee Benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group's participates only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had 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 certain properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

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 inter-company transactions and balances within the Group have been eliminated on consolidation.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its estimated useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining average useful lives of the identifiable acquired depreciable assets. To the extent that such negative goodwill exceeds the aggregate fair value of the identifiable non-monetary assets acquired, it is recognised as income immediately.

Negative goodwill arising on the acquisition of an associate or a jointly controlled entity is deducted from the carrying value of that associate or jointly controlled entity. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

Revenue recognition

Development properties

When properties are developed for sale, income is recognised only when the sale is completed and when the relevant building occupation/sale permit is issued by the relevant authority. Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.

Others

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

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

Service income is recognised when services are provided.

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

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

Securities trading income is recognised on a trade-date basis when contracts are executed.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance leases are capitalised at their fair value at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are charged to the income statement over the period of the relevant leases so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight-line basis over the relevant lease term.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 value at the balance sheet date. They are revalued at intervals of not more than three years by independent professionally qualified valuers. In each of the intervening years, valuations are undertaken by professionally qualified executives of the Group. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred 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.

Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost less depreciation or amortisation and accumulated impairment losses.

Depreciation or amortisation is provided to write off the cost of items of property, plant and equipment other than properties under development over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Land and buildings	2% to 4%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Plant and machinery	10%
Leasehold improvements	25%

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.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its 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 SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

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 SSAP, in which case the reversal of the impairment loss is treated as a revaluation increase under that other SSAP.

Notes to the Financial Statements for the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Properties under development

Properties under development held for investment purposes are classified under property, plant and equipment and are stated at cost less any identified impairment loss.

Properties under development held for sale are classified under current assets and are stated at the lower of cost and net realisable value.

Cost comprises land cost and development costs including attributable borrowing costs and charges capitalised during the development period.

Borrowing costs

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

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

Investments in subsidiaries

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

Interests in associates

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 on acquisition less any identified impairment loss.

Joint ventures

Jointly controlled entities

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

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities on acquisition less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses 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.

Notes to the Financial Statements for the year ended 31st December, 2002

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost applicable, direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

Transactions costs on bank borrowings

The transaction costs incurred in connection with the bank borrowings raised are deferred and charged to the income statement over the period of the bank borrowings from the date of bank borrowings withdrawn to the final repayment maturity date so as to produce a constant periodic rate of charge on the remaining balance of the bank borrowings for each accounting period.

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 the resulting 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.

Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, associates and jointly controlled entities which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. All exchange differences arising on consolidation are dealt with in reserves.

Quotas

Revenue from the sale of, and the cost of acquiring, temporary quotas are dealt with in the income statement at the time of shipments or when the sale of the related goods is completed. Quotas allocated by the authorities in Hong Kong are not recognised in the financial statements. The cost of permanent quotas acquired is amortised over three years after the year of acquisition.

Retirement benefit costs

Payments to defined contribution retirement benefit plans/state managed retirement benefit scheme/the Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Notes to the Financial Statements for the year ended 31st December, 2002

4. TURNOVER

Turnover comprises:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income	441,322	457,723
Gross proceeds from sale of properties	152,707	–
Gross invoiced sales	143,684	139,270
Agency and service fees income	1,343	2,437
Dividend income	1,739	2,272
Project management fee income	664	664
	741,459	602,366

Notes to the Financial Statements for the year ended 31st December, 2002

5. GEOGRAPHICAL AND BUSINESS SEGMENTS

Geographical segments

The operations of the Group are currently located in New Zealand, Australia, Greater China other than Hong Kong (the "PRC") and Hong Kong. The corresponding geographical locations of the Group's assets are the basis on which the Group reports its primary segment information.

	Year ended 31st December, 2002						
	New Zealand	Australia	PRC	Hong Kong	Others	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE							
External sales	176,961	159,089	155,731	249,678	–	–	741,459
Inter-segment sales*	–	–	92	1,126	–	(1,218)	–
Total revenue	176,961	159,089	155,823	250,804	–	(1,218)	741,459
RESULT							
Segment profit (loss)	(276,525)	112,294	6,002	50,244	(670)	–	(108,655)
Interest income							23,404
Unallocated corporate expenses							(28,366)
Loss from operations							(113,617)
Finance costs							(196,155)
Share of net losses of associates	(465)	–	–	(5,312)	–	–	(5,777)
Share of net losses of jointly controlled entities	–	–	(611)	–	–	–	(611)
Loss before taxation							(316,160)
Taxation							(9,200)
Loss before minority interests							(325,360)
Minority interests							124,609
Net loss for the year							(200,751)

* Inter-segment sales are charged at prevailing market rates.

Notes to the Financial Statements for the year ended 31st December, 2002

5. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

Geographical segments (Continued)

BALANCE SHEET AT 31ST DECEMBER, 2002

	New Zealand	Australia	PRC	Hong Kong	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
ASSETS						
Segment assets	1,513,244	2,260,097	476,075	2,866,686	105,797	7,221,899
Interests in associates	17,968	–	–	–	–	17,968
Amounts due from jointly controlled entities	–	–	2,856	–	–	2,856
Taxation recoverable						7,244
Consolidated total assets						7,249,967
LIABILITIES						
Segment liabilities	907,295	853,022	201,887	1,304,261	46,109	3,312,574
Taxation payable						27,678
Consolidated total liabilities						3,340,252

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2002

	New Zealand	Australia	PRC	Hong Kong	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital additions	84,267	731	1,739	500	–	87,237
Depreciation and amortisation	1,109	681	307	1,851	28	3,976
Impairment loss on investments in non-trading securities	–	–	–	68,017	–	68,017
Other non-cash expenses	7,004	–	260	13,539	–	20,803

Notes to the Financial Statements for the year ended 31st December, 2002

5. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

Geographical segments (Continued)

	Year ended 31st December, 2001						
	New Zealand	Australia	PRC	Hong Kong	Others	Eliminations	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
REVENUE							
External sales	175,782	168,870	3,464	254,250	–	–	602,366
Inter-segment sales*	–	–	–	1,019	–	(1,019)	–
Total revenue	175,782	168,870	3,464	255,269	–	(1,019)	602,366
RESULT							
Segment profit (loss)	102,746	96,734	(8,247)	156,611	(438)	–	347,406
Interest income							54,135
Unallocated corporate expenses							(38,916)
Profit from operations							362,625
Finance costs							(272,427)
Share of net losses of associates	(3,336)	–	–	(12,071)	–	–	(15,407)
Share of net losses of jointly controlled entities	–	–	(427)	–	–	–	(427)
Profit before taxation							74,364
Taxation							(4,348)
Profit before minority interests							70,016
Minority interests							(34,077)
Net profit for the year							35,939

* Inter-segment sales are charged at prevailing market rates.

Notes to the Financial Statements for the year ended 31st December, 2002

5. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

Geographical segments (Continued)

BALANCE SHEET AT 31ST DECEMBER, 2001

	New Zealand	Australia	PRC	Hong Kong	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS						
Segment assets	1,682,938	1,998,040	624,226	3,633,307	95,277	8,033,788
Interests in associates	11,093	–	–	5,312	–	16,405
Interests in jointly controlled entities	–	–	39,248	–	–	39,248
Amounts due from jointly controlled entities	–	–	2,794	–	–	2,794
Taxation recoverable	–	–	–	–	–	4,127
Consolidated total assets						8,096,362
LIABILITIES						
Segment liabilities	1,824,842	720,763	300,158	1,325,920	41,580	4,213,263
Taxation payable	–	–	–	–	–	22,280
Consolidated total liabilities						4,235,543

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2001

	New Zealand	Australia	PRC	Hong Kong	Others	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	136,192	1,814	5,460	4,695	–	148,161
Depreciation and amortisation	2,110	613	440	2,353	23	5,539
Impairment losses recognised in income statement	–	–	–	823	–	823
Other non-cash expenses	2,933	–	–	2,823	–	5,756

Note: The location of assets is equivalent to the location of customers.

Notes to the Financial Statements for the year ended 31st December, 2002

5. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

Business segments

The Group is currently organised into four operating divisions – property investment, garment manufacturing and trading, investment and property development.

Principal activities are as follows:

Property investment	–	rental of properties
Garment manufacturing and trading	–	manufacturing and trading of garment products
Investment	–	investment in securities and treasury investments
Property development	–	development of properties

Other than the garment manufacturing and trading which location of its operations are mainly in Hong Kong, all the above divisions are operating in New Zealand, Australia, PRC and Hong Kong.

The following table provides an analysis of the Group's sales revenue and contribution to (loss) profit from operations by business segment:

	Sales revenue by business segment		Contribution to (loss) profit from operations	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property investment	442,433	456,685	(27,607)	352,370
Garment manufacturing and trading	143,684	139,270	22,983	32,663
Investment	3,260	3,119	(57,944)	(4,887)
Property development	151,598	1,333	(13,601)	(2,320)
Others	484	1,959	(32,486)	(30,420)
	741,459	602,366	(108,655)	347,406
Interest income			23,404	54,135
Unallocated corporate expenses			(28,366)	(38,916)
(Loss) profit from operations			(113,617)	362,625

Notes to the Financial Statements for the year ended 31st December, 2002

5. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

Business segments (Continued)

The following is an analysis of the carrying amount of segment assets, and additions to investment properties and property, plant and equipment analysed by business segments:

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment	5,610,479	6,272,295	84,267	139,844
Garment manufacturing and trading	42,227	26,652	200	2,220
Investment	88,767	157,636	17	–
Property development	900,063	977,463	1,739	4,027
Others	28,002	44,014	1,014	2,070
	6,669,538	7,478,060	87,237	148,161
Unallocated corporate assets	580,429	618,302		
Consolidated total assets	7,249,967	8,096,362		

6. CHANGES IN INVENTORIES AND PROPERTIES HELD FOR SALE

	2002	2001
	HK\$'000	HK\$'000
Changes in inventories of manufactured finished goods and work-in-progress	913	4,567
Raw materials and consumables used	(27,896)	(29,171)
Purchase of goods held for resale	(63,599)	(54,597)
Changes in inventories of properties held for sale	93,434	55,327
Costs incurred on properties held for sale	(230,005)	(55,327)
	(227,153)	(79,201)

Notes to the Financial Statements for the year ended 31st December, 2002

7. NET LOSS ON INVESTMENTS AND PROPERTIES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of investment properties	(364,508)	(46,461)
Impairment loss on investments in non-trading securities	(68,017)	–
Impairment loss (recognised) reversed in respect of properties held for sale	(6,403)	6,548
Loss on dilution of interests in subsidiaries	(6,348)	(1,354)
Unrealised holding loss on investments in trading securities	(5,549)	(2,275)
Write back of allowance for loan to a joint controlled entity	8,403	–
Gain on disposal of a subsidiary	3,745	–
Realised gain on disposal of investments in securities	418	2,782
Gain on deemed disposal of an associate	–	1,990
	(438,259)	(38,770)

8. (LOSS) PROFIT FROM OPERATIONS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) profit from operations has been arrived at after charging:		
Amortisation of transaction costs on bank loans	1,200	300
Auditors' remuneration		
Current year	2,923	2,636
Under(over)provision for prior years	110	(365)
Depreciation and amortisation		
– owned assets	3,379	5,128
– assets held under finance leases	597	411
Bad debts written off	1,303	2,127
Directors' emoluments (<i>note 10</i>)	6,519	8,269
Loss on disposal of property, plant and equipment	–	4,690
Rental payments under operating leases	21,089	17,407
Net exchange loss	1,929	–
and crediting:		
Gross rental income from investment properties	440,266	456,538
Less: Outgoings	(44,248)	(68,904)
Net rental income from investment properties	396,018	387,634
Net rental income from other properties	1,056	1,185
	397,074	388,819
Interest earned on bank deposits	23,203	51,696
Other interest income	201	2,439
	23,404	54,135
Dividend income from listed investments	1,739	2,111
Dividend income from unlisted investments	–	161
Gain on disposal of property, plant and equipment	1,244	–
Net exchange gain	–	301

Notes to the Financial Statements for the year ended 31st December, 2002

9. FINANCE COSTS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans wholly repayable within 5 years	139,255	183,295
Other loan wholly repayable within 5 years	–	8,036
Bank loans not wholly repayable within 5 years	38,786	68,163
Obligations under finance leases	208	248
Convertible capital notes/bonds	15,120	12,750
Total borrowing costs	193,369	272,492
Less: Amounts capitalised to property development projects	(4,965)	(1,728)
	188,404	270,764
Facilities charges	7,751	1,663
	196,155	272,427

Borrowing costs capitalised during the year arose on the general borrowing pool and are calculated by applying a capitalisation rate of 7% (2001: 7%) to expenditure on qualifying assets.

10. DIRECTORS' EMOLUMENTS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fees:		
Executive	70	70
Non-executive	50	50
Independent non-executive	40	40
	160	160
Management remuneration:		
Executive		
Salaries and other benefits	5,525	5,525
Discretionary payments	–	500
Performance based bonus	–	1,260
Contributions to pension scheme	754	744
Independent non-executive		
Other remuneration	80	80
	6,359	8,109
	6,519	8,269

Notes to the Financial Statements for the year ended 31st December, 2002

10. DIRECTORS' EMOLUMENTS (Continued)

Their emoluments were within the following bands:

	2002	2001
	Number of directors	Number of directors
Nil to HK\$500,000	4	4
HK\$500,001 to HK\$1,000,000	1	1
HK\$2,000,001 to HK\$2,500,000	1	–
HK\$2,500,001 to HK\$3,000,000	–	1
HK\$3,000,001 to HK\$3,500,000	1	–
HK\$4,500,001 to HK\$5,000,000	–	1
	7	7

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2001: two) were directors of the Company whose emoluments are included in the disclosures in note 10. The emoluments of the remaining three (2001: three) individuals were as follows:

	2002	2001
	HK\$'000	HK\$'000
Salaries and other remuneration	5,773	5,269
Contributions to pension scheme	123	103
Compensation for loss of office	693	–
	6,589	5,372

Their emoluments were within the following bands:

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

Notes to the Financial Statements for the year ended 31st December, 2002

12. TAXATION

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	5,048	6,446
Income tax outside Hong Kong	4,152	165
	9,200	6,611
Deferred taxation credit	–	(2,263)
	9,200	4,348

Hong Kong Profits Tax is calculated at 16% (2001: 16%) of the estimated assessable profit for the year. Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

Details of the unrecognised deferred taxation are set out in note 39.

13. DIVIDENDS

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
2001 final – HK10 cents	–	51,125
2001 interim – HK6 cents per share	–	30,675
Additional prior year's final dividend paid on exercise of share options and warrants subsequent to the issue of the annual report	–	395
	–	82,195

No dividend was proposed during the year ended 31st December, 2002 nor has any dividend been proposed since the balance sheet date.

Notes to the Financial Statements for the year ended 31st December, 2002

14. (LOSS) EARNINGS PER SHARE

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

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
(Loss) earnings for the year and (loss) earnings for the purposes of basic and diluted (loss) earnings per share	(200,751)	35,939
	Number of shares	
	2002	2001
Weighted average number of ordinary shares for the purposes of basic (loss) earnings per share	511,246,868	509,885,312
Effect of dilutive potential ordinary shares:		
Options	N/A	5,600,000
Warrants	N/A	28,572,775
Weighted average number of ordinary shares for the purposes of diluted (loss) earnings per share	511,246,868	544,058,087

No diluted loss per share has been calculated for the year ended 31st December, 2002 as the exercise of the Company's share options and warrants and the conversion of the convertible promissory note of a subsidiary would result in a decrease in the loss per share.

Notes to the Financial Statements for the year ended 31st December, 2002

15. INVESTMENT PROPERTIES

	New Zealand and Australia held freehold	Hong Kong held under long leases	Hong Kong held under medium- term leases	PRC held under medium- term leases	Australia held under long leases	New Zealand held under short leases	New Zealand held under medium- term leases	New Zealand held under long leases	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP									
VALUATION									
At 1st January, 2002	3,045,717	99,000	2,150,000	36,400	91,563	6,478	-	220,262	5,649,420
Exchange adjustments	491,246	-	-	-	10,352	822	-	30,930	533,350
Additions	74,493	-	-	-	-	-	611	-	75,104
Disposals	(547,022)	-	-	-	-	(7,300)	-	(158,601)	(712,923)
Transfer (to) from properties under development	(51,692)	-	-	-	-	-	9,875	-	(41,817)
Surplus (deficit) on valuation	6,860	(16,000)	(250,000)	-	6,375	-	2,686	3,207	(246,872)
At 31st December, 2002	3,019,602	83,000	1,900,000	36,400	108,290	-	13,172	95,798	5,256,262
DEPRECIATION									
At 1st January, 2002	-	-	-	-	-	6,264	-	-	6,264
Exchange adjustments	-	-	-	-	-	795	-	-	795
Provided for the year	-	-	-	-	-	241	-	-	241
Eliminated on disposals	-	-	-	-	-	(7,300)	-	-	(7,300)
At 31st December, 2002	-	-	-	-	-	-	-	-	-
NET BOOK VALUES									
At 31st December, 2002	3,019,602	83,000	1,900,000	36,400	108,290	-	13,172	95,798	5,256,262
At 31st December, 2001	3,045,717	99,000	2,150,000	36,400	91,563	214	-	220,262	5,643,156

The Group's investment properties have been revalued as at 31st December, 2002 on an open market value basis by independent professional valuers as follows:

Properties situated in	Name of independent professional valuers
New Zealand and Australia held freehold	CB Richard Ellis Limited, DTZ New Zealand Limited, Jones Lang LaSalle Limited, Colliers International New Zealand Limited, Independent Professional Valuers
Hong Kong held under medium-term and long leases	Chesterton Petty Limited, Independent Professional Valuer
PRC held under medium-term leases	CB Richard Ellis Limited, Independent Professional Valuer
Australia held under long leases	Colliers International Consultancy and Valuation Pty Limited, Independent Professional Valuer
New Zealand held under medium-term and long leases	Colliers Jardine Consultancy and Valuation Pty Limited, Independent Professional Valuer

The above-mentioned valuations have been adopted by the directors in these financial statements and the net deficit arising on revaluation, amounting to HK\$279,865,000 (2001: HK\$214,511,000), has been debited to the investment properties revaluation reserve.

All the Group's investment properties are rented out under operating leases.

Notes to the Financial Statements for the year ended 31st December, 2002

16. PROPERTY, PLANT AND EQUIPMENT

	Properties under development held for investment	Land and buildings	Furniture, fixtures and equipment	Motor vehicles	Plant and machinery	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP							
COST							
At 1st January, 2002	268,722	441	23,005	9,862	3,039	2,497	307,566
Exchange adjustments	12,141	61	1,716	624	–	–	14,542
Additions	9,827	–	791	1,490	25	–	12,133
Disposals	(7,455)	–	(3,935)	(1,505)	(150)	(32)	(13,077)
Transfer from investment properties – net	41,817	–	–	–	–	–	41,817
At 31st December, 2002	325,052	502	21,577	10,471	2,914	2,465	362,981
DEPRECIATION AND AMORTISATION/IMPAIRMENT							
At 1st January, 2002	–	98	15,368	5,719	1,387	2,329	24,901
Exchange adjustments	–	14	1,267	236	–	–	1,517
Provided for the year	–	18	2,064	1,389	168	96	3,735
Eliminated on disposals	–	–	(2,630)	(556)	(107)	(5)	(3,298)
At 31st December, 2002	–	130	16,069	6,788	1,448	2,420	26,855
NET BOOK VALUES							
At 31st December, 2002	325,052	372	5,508	3,683	1,466	45	336,126
At 31st December, 2001	268,722	343	7,637	4,143	1,652	168	282,665

The net book values of properties shown above comprises:

	Properties under development held for investment		Land and buildings	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
In PRC under long leases	188,478	187,128	104	108
In New Zealand and Australia under long lease	–	81,594	–	–
In Australia held freehold	136,574	–	–	–
In Indonesia under long leases	–	–	268	235
	325,052	268,722	372	343

At 31st December, 2002, the total borrowing costs capitalised to properties under development held for investment were HK\$4,207,000 (2001: nil).

At 31st December, 2002, the carrying value of furniture, fixtures and equipment and motor vehicles include an amount of HK\$1,151,000 (2001: HK\$1,152,000) and HK\$1,150,000 (2001: HK\$1,419,000), respectively in respect of assets held under finance leases.

Notes to the Financial Statements for the year ended 31st December, 2002

17. PERMANENT QUOTAS

	THE GROUP
	<i>HK\$'000</i>
COST	
At 1st January, 2002 and at 31st December, 2002	85,511
AMORTISATION	
At 1st January, 2002 and at 31st December, 2002	(85,511)
CARRYING AMOUNT	
At 31st December, 2002 and at 31st December, 2001	–

18. NEGATIVE GOODWILL

	THE GROUP
	<i>HK\$'000</i>
GROSS AMOUNT	
At 1st January, 2002	253,906
Arising on acquisition of a subsidiary	4,974
At 31st December, 2002	258,880
RELEASED TO INCOME	
At 1st January, 2002	98,133
Released in the year	17,240
At 31st December, 2002	115,373
CARRYING AMOUNT	
At 31st December, 2002	143,507
At 31st December, 2001	155,773

The negative goodwill arose on the acquisition in current year was released to income for the year. The remaining negative goodwill is released to income on a straight-line basis over 20 years, being the estimated remaining weighted average useful life of the assets acquired.

19. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, at cost (net of amounts written off)	259,461	259,461
Less: Impairment losses recognised	(122,875)	(122,875)
	136,586	136,586

Notes to the Financial Statements for the year ended 31st December, 2002

19. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the principal subsidiaries, all of which are companies with limited liability, at 31st December, 2002 are set out as below:

Name of subsidiary	Place/country of incorporation/operation	Issued and paid up share capital/registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
Direct subsidiary				
Chisel Limited	The British Virgin Islands/ Hong Kong	2 ordinary shares of US\$1 each	100	Investment holding
Modern Tender Limited	The British Virgin Islands	1 ordinary share of US\$1	100	Investment holding
S E A Holdings (NZ) Limited	The British Virgin Islands/ New Zealand	1 ordinary share of US\$1	100	Investment holding
SEABO Pacific Limited	Bermuda	767,919 ordinary shares of HK\$1 each	100	Investment holding
South-East Asia Investment and Agency Company, Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	Investment holding
Indirect subsidiary				
AGP Management Pty Ltd.	Australia	AUD350,000 350,000 shares of no par value	100	Property and asset management
Chengdu Huashang House Development Co., Ltd.*	PRC	RMB133,420,000 registered capital	97	Property development
Guangzhou Yingfat House Property Development Co., Ltd. ("Yingfat")*	PRC	US\$20,110,000 registered capital	100	Property development
Handy View Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property investment and garment trading
SEA Group Treasury Limited (formerly known as Polyfull Company Limited)	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	Property development and financing

Notes to the Financial Statements for the year ended 31st December, 2002

19. INVESTMENTS IN SUBSIDIARIES (Continued)

Name of subsidiary	Place/country of incorporation/operation	Issued and paid up share capital/registered capital	Effective percentage of issued equity share capital/registered capital held by the Company	Principal activities
Indirect subsidiary (Continued)				
Shinning Worldwide Limited	The British Virgin Islands/ Hong Kong	1,000 ordinary shares of US\$1 each	55	Property development
Top Greenery Limited	The British Virgin Islands	1 ordinary share of US\$1	100	Fund management
Trans Tasman Properties Limited	New Zealand	594,824,424 shares of no par value	55	Property investment and development
UniMilo's Knitwear Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	60	Garment manufacturing
Wing Siu Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property investment

* These companies are incorporated in the form of Sino-foreign co-operative joint ventures. According to the shareholders' agreement of Yingfat, the PRC partner is entitled to the higher of a fixed sum of return or 5% of the profit generated from the related property development project as defined in the agreement, then, the Group has the full entitlement to the rest of the profit generated.

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

Except for the above, none of the subsidiaries had issued any debt securities at the end of the year.

20. INTERESTS IN ASSOCIATES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets – unlisted	17,968	16,405
Goodwill on acquisition of associates	80,396	80,396
Impairment loss recognised	(80,396)	(80,396)
	17,968	16,405

Notes to the Financial Statements for the year ended 31st December, 2002

20. INTERESTS IN ASSOCIATES (Continued)

The goodwill arose from acquisition of the associates in 2000. As the results of these associates after the acquisition were significantly below the original expectation, the directors were of the opinion that future positive returns from these investments were uncertain and the excess of the purchase consideration over the fair value of the underlying net assets representing goodwill of HK\$80,396,000 was therefore considered as impaired and charged to the income statement for the year ended 31st December, 2000.

Details of the Group's associates at 31st December, 2002, all of which are companies with limited liability, are as follows:

Name of associate	Place/ country of incorporation/ operation	Class of shares held	Effective percentage of nominal value of issued equity capital indirectly held by the Company	Principal activities
e-commerce Logistics Limited	Hong Kong	Ordinary	35	e-fulfillment, warehousing and delivery services
GSB Supplycorp Limited	New Zealand	Ordinary	42	Public sector e-procurement
Professional Service Brokers Limited	New Zealand	Ordinary Preference	42 42	e-procurement management
Supplynet Limited	New Zealand	Ordinary	40	e-commerce marketplace

21. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Share of net assets	–	–
Loan to a jointly controlled entity	–	53,376
Impairment loss recognised	–	(14,128)
	–	39,248

The loans in 2001 were unsecured, interest free and fully settled during the year.

As at 31st December, 2002, the Group had interests in the following principal jointly controlled entity formed as a Sino-foreign equity joint venture:

Name of entity	Country of registration/ operation	Registered capital	Effective percentage of registered capital indirectly held by the Company	Principal activities
Chengdu Mingqiang Real Estate Co., Ltd.	PRC	US\$6,000,000	50	Property development

The directors are of the opinion that a complete list of the particulars of all jointly controlled entities of the Group will be of excessive length and therefore the above list contains only the particulars of a jointly controlled entity which principally affect the results or assets of the Group.

Notes to the Financial Statements for the year ended 31st December, 2002

22. OTHER INVESTMENTS

	Held to maturity securities		Non-trading securities		Trading securities		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
Investments in securities:								
Debt security:								
Listed – overseas	–	20,000	–	–	–	–	–	20,000
Unlisted	–	11	–	–	–	–	–	11
	–	20,011	–	–	–	–	–	20,011
Equity securities:								
Listed – Hong Kong	–	–	49,906	78,398	1,069	1,892	50,975	80,290
– overseas	–	–	16,149	3,897	–	–	16,149	3,897
Unlisted	–	–	–	16,246	18,231	18,825	18,231	35,071
	–	–	66,055	98,541	19,300	20,717	85,355	119,258
	–	20,011	66,055	98,541	19,300	20,717	85,355	139,269
Market value of listed securities	–	20,518	66,078	82,295	1,069	1,892	67,147	104,705
Club debentures/ memberships:								
Unlisted	–	–	8,574	9,674	–	–	8,574	9,674
	–	20,011	74,629	108,215	19,300	20,717	93,929	148,943
Carrying amount analysed for reporting purposes as:								
Current	–	20,000	–	–	19,300	20,717	19,300	40,717
Non-current	–	11	74,629	108,215	–	–	74,629	108,226

23. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

THE GROUP

The amounts are unsecured and interest-free. The directors will not demand for repayment within the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

24. OTHER LOANS RECEIVABLE

THE GROUP

The other loans receivable are secured by mortgages over certain leasehold properties, carry interest at commercial rate and are repayable in accordance with their respective repayment terms. Accordingly, the amount repayable within one year is classified as current asset.

Notes to the Financial Statements for the year ended 31st December, 2002

25. INVENTORIES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	339	65
Work-in-progress	7,857	6,387
Finished goods	346	903
	8,542	7,355

Included above are finished goods of HK\$252,000 (2001: HK\$753,000) carried at net realisable value.

26. PROPERTIES HELD FOR SALE

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Completed	13,794	3,489
Under development	576,062	490,105
	589,856	493,594

At 31st December, 2002, the total borrowing costs capitalised to properties held for sale were HK\$20,797,000 (2001: HK\$17,232,000).

Included in the above are completed properties held for sale and properties under development of HK\$8,857,000 (2001: HK\$3,489,000) and HK\$523,021,000 (2001: HK\$490,105,000) respectively which are carried at net realisable value.

27. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 2.5 months to its trade customers.

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$41,380,000 (2001: HK\$29,644,000), an aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
0 to 60 days	32,673	20,273
61 to 90 days	1,892	2,060
91 to 365 days	2,575	6,750
Over 365 days	4,240	561
	41,380	29,644

Notes to the Financial Statements for the year ended 31st December, 2002

28. ADVANCE TO A DIRECTOR OF AN INDIRECT SUBSIDIARY

	THE GROUP
	<i>HK\$'000</i>
Mr. Donald I. Fletcher	
Balance at beginning of the year	1,074
Balance at end of the year	1,302
Maximum amount outstanding during the year	1,363

The above advance is denominated in NZD317,000, equivalent to HK\$1,302,000 (2001: NZD332,000, equivalent to HK\$1,074,000), unsecured, non-interest bearing and repayable on demand.

29. AMOUNTS DUE FROM (TO) SUBSIDIARIES

THE COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand.

30. AMOUNTS DUE FROM (TO) ASSOCIATES

THE GROUP

The amounts are unsecured, non-interest bearing and repayable on demand.

31. CREDITORS, DEPOSITS RECEIVED AND ACCRUED CHARGES

Included in the Group's creditors, deposits received and accrued charges are trade creditors of HK\$50,303,000 (2001: HK\$39,827,000), an aged analysis of which at the balance sheet date is as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 60 days	36,493	29,815
61 to 90 days	9,341	3,200
91 to 365 days	441	787
Over 365 days	4,028	6,025
	50,303	39,827

Notes to the Financial Statements for the year ended 31st December, 2002

32. PROVISIONS

	THE GROUP 2002
	<i>HK\$'000</i>
At beginning of the year	67,032
Additional provision in the year	1,881
Exchange adjustment	(49)
At end of the year	68,864

The provisions are the compensation for the delay in handover of rehousing properties to the former commercial unit owners ("Affected Owners") whose properties have been demolished due to the construction of a property developed for sale in the PRC and the estimated cost for the permanent relocation of certain of the Affected Owners who will not have rehousing properties allocated under management's plan. Such provisions are estimated based on management's best estimate by reference to the PRC statutory requirements and other relevant signed agreements. In the opinion of the directors, the compensation is expected to be paid within one year, depending on the progress of negotiation with Affected Owners.

33. BORROWINGS

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans		
– secured	2,598,305	3,457,602
– unsecured	222,611	200,000
2007 bonds (<i>note a</i>)	170,257	134,176
Preference convertible promissory notes (<i>note b</i>)	15,600	23,400
Other loans		
– secured	–	12,136
– unsecured	7,698	–
Total borrowings	3,014,471	3,827,314
Less: Unamortised transactions costs on bank loans raised	(6,900)	(8,100)
Total net borrowings	3,007,571	3,819,214

Notes to the Financial Statements for the year ended 31st December, 2002

33. BORROWINGS (Continued)

The borrowings are repayable as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans:		
Within one year	425,507	1,251,900
More than one year, but not exceeding two years	136,463	41,493
More than two years, but not exceeding five years	1,514,472	1,492,104
More than five years	744,474	872,105
	2,820,916	3,657,602
2007 bonds	170,257	134,176
Preference convertible promissory notes	15,600	23,400
Other loans:		
Within one year	3,435	5,148
More than one year, but not exceeding two years	3,131	3,419
More than two years, but not exceeding five years	1,132	3,569
	7,698	12,136
Unamortised transaction costs on bank loans raised	(6,900)	(8,100)
Total	3,007,571	3,819,214
Less: Amounts due within one year shown under current liabilities	(428,942)	(1,257,048)
Amount due after one year	2,578,629	2,562,166

	THE COMPANY	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans		
unsecured, due within one year	218,435	200,000

Notes:

(a) **2007 bonds**

The 2007 bonds which were issued by Trans Tasman Properties Limited ("TTP"), a subsidiary of the Company, on 21st May, 2001 have a face value of NZ\$1, carry a 10% per annum interest return and will mature on 27th June, 2007.

The 2007 bonds are secured by a floating charge over all the assets of TTP. TTP has the option to redeem the 2007 bonds, in full or on a pro-rata basis, with effect from 27th June, 2003 and thereafter on any interest payment date while the holders of the 2007 bonds have the option to require TTP to redeem 50% of the 2007 bonds with effect from 27th December, 2005. At 31st December, 2002, the outstanding 2007 bonds amounted to NZ\$41,425,000 (2001: NZ\$41,425,000).

TTP is a New Zealand public listed investment holding company and 55.2% of the shares in TTP is held by the Group as at 31st December, 2002.

Notes to the Financial Statements for the year ended 31st December, 2002

33. BORROWINGS (Continued)

Notes: (Continued)

(b) Preference convertible promissory notes

Two indirect subsidiaries of the Company issued preference convertible promissory notes (the "Notes") with an aggregate principal of US\$3,000,000 to an independent third party on 1st August, 2001.

The notesholders also have voting rights in the subsidiaries as specified in the respective subsidiaries' Memorandum and Articles of Association. The Notes bear zero interest rate and will mature on 6th July, 2004. The Notes will be converted into Series B preferences shares/stocks of the subsidiaries upon maturity in accordance with the terms of the Agreements. At the option of the holders of the Notes and at any time during the term of the Notes, the holders of the Notes may convert some or all the principal into the convertible preferred shares/stocks of the subsidiaries.

At 31st December, 2002, the outstanding Notes amounted to US\$2,000,000 (2001: US\$3,000,000).

34. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Amounts payable under finance leases:				
Within one year	1,108	692	911	475
In the second to fifth year inclusive	1,438	2,457	1,407	2,215
	2,546	3,149	2,318	2,690
Less: Future finance charges	(228)	(459)	N/A	N/A
Present value of lease obligations	2,318	2,690	2,318	2,690
Less: Amount due for settlement within 12 months			(911)	(475)
Amount due for settlement after 12 months			1,407	2,215

It is the Group's policy to lease certain of its motor vehicles, furniture, fixtures and equipment under finance leases. The average lease term is 3 years. For the year ended 31st December, 2002, the average effective borrowing rate was 8% per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

35. OTHER PAYABLES

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
The maturity of other payables is as follows:		
Within one year	–	4,715
More than two years, but not exceeding five years	18,859	18,859
	18,859	23,574
Less: Amounts due within one year shown under current liabilities	–	(4,715)
Amount due after one year	18,859	18,859

Notes to the Financial Statements for the year ended 31st December, 2002

36. SHARE CAPITAL

Movements during the year in the share capital of the Company were as follows:

	Number of shares		Nominal value	
	2002	2001	2002	2001
			HK\$'000	HK\$'000
Ordinary shares of HK\$0.1 each:				
Authorised:				
At beginning and end of year	1,000,000,000	1,000,000,000	100,000	100,000
Issued and fully paid:				
At beginning of year	511,246,868	507,293,586	51,125	50,729
Shares issued on exercise of warrants	–	3,953,282	–	396
At end of year	511,246,868	511,246,868	51,125	51,125

37. WARRANTS

The Company had outstanding warrants expiring in 2008 entitling the registered holders to subscribe in cash for fully paid shares of HK\$0.1 each of the Company at a subscription price of HK\$1.38 per share, subject to adjustment, until 3rd December 2008. At 31st December, 2002, the aggregate par value of shares issuable against the outstanding warrants amounted to HK\$12,101,985 (2001: HK\$12,101,985) and the amount receivable by the Company upon full exercise of the warrants amounted to HK\$167,007,394 (2001: HK\$167,007,394).

Exercise in full of the rights attached to the 2008 warrants still outstanding at the balance sheet date would, under the present capital structure of the Company, result in the issue of 121,019,850 (2001: 121,019,850) additional shares of HK\$0.1 each.

Notes to the Financial Statements for the year ended 31st December, 2002

38. RESERVES

	Share premium	Investment property revaluation reserve	Translation reserve	Investments revaluation reserve	Capital redemption reserve	Contributed surplus	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP									
At 1st January, 2001	150,528	693,117	(196,727)	(34,699)	4,451	277,707	50,729	2,032,602	2,977,708
Revaluation deficit arising on investment properties	-	(214,511)	-	-	-	-	-	-	(214,511)
Exchange movement during the year	-	-	(111,323)	-	-	-	-	-	(111,323)
Issue of shares	5,060	-	-	-	-	-	-	-	5,060
Unrealised holding loss on investments in securities	-	-	-	(28,503)	-	-	-	-	(28,503)
Released upon disposal of investment properties	-	(8,756)	-	-	-	-	-	-	(8,756)
Net profit for the year	-	-	-	-	-	-	-	35,939	35,939
Dividends for 2001	-	-	-	-	-	-	82,195	(82,195)	-
Dividends paid	-	-	-	-	-	-	(81,799)	-	(81,799)
At 31st December, 2001	155,588	469,850	(308,050)	(63,202)	4,451	277,707	51,125	1,986,346	2,573,815
Revaluation deficit arising on investment properties	-	(279,865)	-	-	-	-	-	-	(279,865)
Exchange movement during the year	-	-	138,281	-	-	-	-	-	138,281
Unrealised holding loss on investments in securities	-	-	-	(15,807)	-	-	-	-	(15,807)
Released upon disposal of investment properties	-	179,338	-	-	-	-	-	-	179,338
Impairment loss on investments in securities	-	-	-	68,017	-	-	-	-	68,017
Released upon disposal of investments in securities	-	-	-	12	-	-	-	-	12
Net loss for the year	-	-	-	-	-	-	-	(200,751)	(200,751)
Dividends paid	-	-	-	-	-	-	(51,125)	-	(51,125)
At 31st December, 2002	155,588	369,323	(169,769)	(10,980)	4,451	277,707	-	1,785,595	2,411,915
Attributable to:									
The Company and subsidiaries	155,588	369,323	(169,769)	(10,980)	4,451	277,707	-	1,807,981	2,434,301
Associates	-	-	-	-	-	-	-	(22,386)	(22,386)
	155,588	369,323	(169,769)	(10,980)	4,451	277,707	-	1,785,595	2,411,915

Notes to the Financial Statements for the year ended 31st December, 2002

38. RESERVES (Continued)

	Share premium	Investment property revaluation reserve	Translation reserve	Investments revaluation reserve	Capital redemption reserve	Contributed surplus	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE COMPANY									
At 1st January, 2001	150,528	-	-	-	4,451	190,081	50,729	1,867,170	2,262,959
Issue of shares	5,060	-	-	-	-	-	-	-	5,060
Net loss for the year	-	-	-	-	-	-	-	(54,928)	(54,928)
Dividends for 2001	-	-	-	-	-	-	82,195	(82,195)	-
Dividends paid	-	-	-	-	-	-	(81,799)	-	(81,799)
At 31st December, 2001	155,588	-	-	-	4,451	190,081	51,125	1,730,047	2,131,292
Net loss for the year	-	-	-	-	-	-	-	(954)	(954)
Dividends paid	-	-	-	-	-	-	(51,125)	-	(51,125)
At 31st December, 2002	155,588	-	-	-	4,451	190,081	-	1,729,093	2,079,213

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for their acquisition at the time of the group reorganisation.

The contributed surplus of the Group represents the difference between the nominal value of the shares of an acquired subsidiary and the nominal value of the Company's shares issued for the acquisition at the time of the group reorganisation.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- it is, or would after the payment be, unable to pay its liabilities as they become due; or
- the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31st December, 2002 were as follows:

	2002	2001
	HK\$'000	HK\$'000
Contributed surplus	190,081	190,081
Accumulated profits	1,729,093	1,730,047
Dividend reserve	-	51,125
	1,919,174	1,971,253

Notes to the Financial Statements for the year ended 31st December, 2002

39. UNRECOGNISED DEFERRED TAXATION

The amount of the unrecognised deferred tax asset (liability) for the year is as follows:

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Accelerated depreciation allowances	(47,870)	(32,392)	–	–
Tax losses	180,906	125,815	2,201	1,874
Other timing differences	(10,683)	(6,052)	–	–
	122,353	87,371	2,201	1,874

The amount of the unprovided deferred tax (charge) credit of the Group for the year is as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Accelerated depreciation allowances	(15,478)	9,443
Tax losses (utilised) arising	55,091	18,067
Other timing differences	(4,631)	11,931
	34,982	39,441

The net deferred tax asset has not been recognised in the financial statements as it is not certain that the net deferred tax benefit will be utilised in the foreseeable future.

Deferred tax has not been provided on the revaluation surplus arising on the valuation of investment properties situated in Hong Kong and investments in non-trading securities as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, such revaluation does not constitute a timing difference for tax purposes.

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of properties in PRC as it is not expected that the potential deferred taxation liability will crystallise in the foreseeable future.

Notes to the Financial Statements for the year ended 31st December, 2002

40. PURCHASES OF SUBSIDIARIES

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET ASSETS ACQUIRED		
Property, plant and equipment	–	727
Properties for sale	–	4,445
Debtors, deposits and prepayments	2,007	290
Bank balances and cash	33,318	3,937
Creditors, deposits and accrued charges	(2,263)	(1,216)
Amounts due to group companies	–	(7,787)
Minority interests	(10,486)	(127)
	22,576	269
Carrying value of other investments/associates prior to becoming subsidiaries on acquisition	(17,602)	(92)
Goodwill arising from acquisition of subsidiaries	(4,974)	823
	–	1,000
Satisfied by:		
Cash consideration	–	1,000

Analysis of the net inflow of cash and cash equivalents in respect of the purchase of subsidiaries:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration paid	–	(1,000)
Cash and cash equivalents acquired	33,318	3,937
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries	33,318	2,937

The subsidiary acquired during the year had no significant contribution to the Group's cash flows, turnover or loss from operations for the year.

The subsidiaries acquired in 2001 utilised HK\$10,469,000 to the Group's net operating cash flows, raised HK\$2,000,000 for investing activities and raised HK\$23,400,000 in respect of financing activities during that year.

The subsidiaries acquired in 2001 contributed HK\$64,000 to the Group's turnover and HK\$11,793,000 to the Group's loss for that year.

Notes to the Financial Statements for the year ended 31st December, 2002

41. DISPOSAL OF A SUBSIDIARY

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET LIABILITIES DISPOSED OF		
Debtors, deposits and prepayments	766	–
Bank balances and cash	4,584	–
Creditors, deposits received and accrued charges	(1,058)	–
Preference convertible promissory note	(7,800)	–
Minority interests	1,121	–
	(2,387)	–
Gain on disposal of a subsidiary	3,745	–
	1,358	–
Satisfied by:		
Other investments	1,358	–

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash and cash equivalent disposed of	4,584	–

The subsidiary disposed of during the year had no significant contribution to the Group's cash flows, turnover or loss from operations for the year.

42. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$733,000 (2001: HK\$1,242,000).

Notes to the Financial Statements for the year ended 31st December, 2002

43. COMMITMENTS

At the balance sheet date, the Group had capital commitments in respect of expenditure to be incurred on properties as follows:

	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong		
Authorised but not contracted for	318,060	328,100
Contracted for but not provided for in the financial statements	55,359	31,031
PRC		
Authorised but not contracted for	354,000	389,614
Contracted for but not provided for in the financial statements	73,000	110,470
New Zealand and Australia		
Authorised but not contracted for	1,945	870
Contracted for but not provided for in the financial statements	51,345	11,525

The Group as lessee

At 31st December, 2002, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follows:

	THE GROUP	
	2002	2001
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	5,915	10,832
In the second to fifth year inclusive	18,695	9,288
Over five years	47,097	21,624
	71,707	41,744

Leases are negotiated for the range of 3 to 15 years with fixed monthly rentals.

The Group as lessor

Certain of the Group's properties held for rental purposes, with a carrying amount of approximately HK\$713 million, have been disposed of during the year. The remaining properties are expected to generate rental yields of 7% on an ongoing basis. All of the properties held have committed tenants for the range of 3 to 7 years.

Notes to the Financial Statements for the year ended 31st December, 2002

43. COMMITMENTS (Continued)

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	353,042	418,140
In the second to fifth year inclusive	870,494	902,671
Over five years	371,528	520,319
	1,595,064	1,841,130

In addition, one of the leases entered with tenants is subject to additional rental based on specified percentage of revenue recognised by the tenant in accordance with lease agreement over the annual minimum lease payments.

The Company did not have any capital commitments or non-cancellable operating lease commitments or lease arrangements at the balance sheet date.

44. CONTINGENT LIABILITIES

At 31st December, 2002, the Group acted as guarantor for the repayment of the bank loans granted to purchasers of the Group's properties under development for sale amounting to HK\$57,739,000 (2001: HK\$22,802,000). The guarantee will be released upon completion of the construction of the properties and the relevant property ownership certificate being issued by the relevant authority.

At the balance sheet date, the Company did not have any other significant contingent liabilities.

45. PLEDGE OF ASSETS

At 31st December, 2002, the Group had the following mortgages and/or pledges over its assets to secure banking facilities and other loans granted to the Group.

- Fixed and floating charges on investment properties with an aggregate book value of HK\$4,383,298,000 (2001: HK\$5,606,756,000).
- Properties held for sale with an aggregate book value of HK\$346,062,000 (2001: HK\$140,411,000).
- Properties under development held for investment with an aggregate book value of nil (2001: HK\$58,538,000).
- Bank deposits of HK\$157,744,000 (2001: HK\$1,038,946,000).
- Listed shares of subsidiaries.
- Unlisted shares of certain subsidiaries.

46. SHARE OPTION SCHEME

The Company operates an employee share option scheme (the "Scheme") for the primary purpose of providing incentive to directors and eligible employee. The original scheme was approved and adopted on 30th June, 1990. A new scheme was approved and adopted on 23rd June, 2000, which will be effective until 29th June, 2010. At 31st December, 2002, the number of shares in respect of which options had been granted and remained outstanding under the original and new Scheme was 15,700,000 and 28,000,000, representing approximately 3% and 5% respectively of the shares of the Company in issue at that date.

Notes to the Financial Statements for the year ended 31st December, 2002

46. SHARE OPTION SCHEME (Continued)

Under the Scheme, the board of directors of the Company may offer to any director or full time employee/chief executive of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares, and the average of the closing prices of shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") on each of the five business days immediately preceding the date of the grant of the options and the minimum price as the Stock Exchange may from time to time prescribe, subject to a maximum of 10% or such other percentage limit as the Stock Exchange may from time to time prescribe, of the issued share capital of the Company. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant or such period as the directors determine, upon payment of HK\$10 per each grant of options. Options may be exercised at any time after the date of grant to the tenth anniversary of the date of grant.

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

Date of grant	Exercisable period	Exercise price	Number of share options		
			Outstanding at 1.1.2001 and 31.12.2001	Expired during the year	Outstanding at 31.12.2002
		<i>HK\$</i>			
11.8.1992	11.8.1992 – 10.8.2002	1.85	21,000,000	(21,000,000)	–
18.11.1993	18.11.1993 – 17.11.2003	2.78	13,500,000	–	13,500,000
21.2.1994	21.2.1994 – 20.2.2004	4.40	2,200,000	–	2,200,000
4.12.2000	4.12.2000 – 3.12.2010	1.44	28,000,000	–	28,000,000
			64,700,000	(21,000,000)	43,700,000

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

Date of grant	Exercisable period	Exercise price	Number of share options		
			Outstanding at 1.1.2001 and 31.12.2001	Expired during the year	Outstanding at 31.12.2002
		<i>HK\$</i>			
11.8.1992	11.8.1992 – 10.8.2002	1.85	21,000,000	(21,000,000)	–
18.11.1993	18.11.1993 – 17.11.2003	2.78	3,500,000	–	3,500,000
21.2.1994	21.2.1994 – 20.2.2004	4.40	2,200,000	–	2,200,000
4.12.2000	4.12.2000 – 3.12.2010	1.44	28,000,000	–	28,000,000
			54,700,000	(21,000,000)	33,700,000

No options were granted or exercised during the year.

47. RETIREMENT BENEFITS PLANS

The Group participates in both a defined contribution scheme which is registered under the Occupational Retirement Scheme Ordinance (the "ORSO Scheme") and a Mandatory Provident Fund Scheme (the "MPF Scheme") established under the Mandatory Provident Fund Ordinance in December 2000 for eligible employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. Employees who were members of the ORSO Schemes prior to the establishment of the MPF Scheme were offered a choice of staying within the ORSO Scheme or switching to the MPF Scheme, whereas all new employees joining the Group on or after 1st December, 2000 are required to join the MPF Scheme.

The ORSO Scheme is funded by monthly contributions from both employees and the Group at rates ranging from 5% to 15% of the employee's basic salary, depending on the length of service with the Group.

For members of the MPF Scheme, the Group contributes 5% to 15% of relevant payroll costs or HK\$1,000 per month to the Scheme which contribution is matched by the employee, depending on the length of service with the Group.

The Group also operates a defined contribution plan (the "Plan") for eligible employees in the United States of America ("USA"). All employees in USA are eligible to participate in the Plan. Participants may contribute a percentage of compensation up to the maximum permitted by the relevant rules in USA. The Group may make discretionary matching contributions.

The employees of the Group's subsidiaries in the PRC and Australia are members of state-managed retirement benefit schemes operated by the government of the PRC and Australia respectively. The subsidiaries are required to contribute 9% to 20% of payroll costs to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the specified contributions.

Forfeited contributions for the year amounting to HK\$119,000 (2001: HK\$37,000) can be used to reduce the level of contributions. The total cost charged to income of HK\$2,851,000 (2001: HK\$2,974,000) represents contribution payable to these schemes by the Group in respect of the current year.