

Notes to Financial Statements

1. Principal activities

The principal activity of the Company is investment holding. The principal activities of the Company's subsidiaries are investment holding, sale and purchase of long-term listed investments and trading of short-term listed investments.

2. Significant accounting policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice ("SSAP") and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the significant accounting policies adopted by the Group is set out below.

(b) Basis of preparation

The measurement basis used in the preparation of the financial statements is historical cost modified by i) the revaluation of certain land and buildings in 1993 ii) the revaluation of investment properties and listed investments at market value and iii) the revaluation of unlisted investments at fair value.

The following recently-issued and revised SSAPs have been adopted for the first time in the preparation of the current year's financial statements:

- SSAP 1 (Revised) : Presentation of financial statements
- SSAP 11 (Revised) : Foreign currency translation
- SSAP 15 (Revised) : Cash flow statements
- SSAP 34 : Employee benefits

These SSAPs prescribe new accounting measurement and disclosure practices. The effects on the Group's accounting policies and disclosures in the financial statements of these SSAPs are summarised as follows:

- (i) SSAP 1 (Revised) prescribes the basis for the presentation of financial statements and sets out guidelines for their structure and minimum requirements for the content thereof. The principal impact of the revision to this SSAP is that a consolidated statement of changes in equity is now presented on page 17 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.
- (ii) SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions in the financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of overseas subsidiaries and associates are translated at weighted average exchange rates for the year, rather than translated at the applicable rates of exchange ruling at the balance sheet date as was previously required. The effect of adopting this revised standard on the results for current and prior years is insignificant.

Notes to Financial Statements (Cont'd)

2. Significant accounting policies (Cont'd)

(b) Basis of preparation (Cont'd)

(iii) SSAP 15 (Revised) prescribes the format for the cash flow statement. The principal impact of the revision of this SSAP is that cash flows are now presented under three headings, these are, cash flows from operating, investing and financing activities, rather than the five headings previously required. The format of the cash flow statement set out on page 18 of the financial statements and the notes thereto have been revised in accordance with the new requirements.

(iv) SSAP 34 prescribes the recognition and measurement criteria to apply to employee benefits, together with the required disclosures in respect thereof. The adoption of this SSAP has resulted in no significant impact on the results for current and prior years.

(c) Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries made up to 31 December, with the exception of unconsolidated subsidiaries the accounting policy of which is set out in note 2(f). The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal respectively. All material inter-company transactions and balances are eliminated on consolidation.

(d) Goodwill/Negative goodwill

Goodwill or negative goodwill represents the excess or deficit of the cost of acquisition over the fair value of the Group's share of the net assets of the acquired subsidiaries or associates at the date of acquisition.

Goodwill on acquisitions is capitalised and amortised on a straight line basis over its estimated useful life not exceeding 20 years.

Negative goodwill on acquisitions is recognised in the consolidated profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable or amortisable.

In respect of associates, the carrying amount of interests in associates includes the goodwill/negative goodwill less amortisation and any impairment loss.

Goodwill on acquisitions that occurred prior to 1 January 2001 continued to be held in reserves.

On disposal of a subsidiary or an associate, any attributable amount of goodwill/negative goodwill not previously amortised through the consolidated profit and loss account or which has previously been dealt with as a movement on Group reserves is included in the calculation of the gain or loss on disposal.

(e) Subsidiaries

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, controls more than half of the voting power or controls the composition of the board of directors.

Investments in subsidiaries in the Company's balance sheet are stated at cost or at Directors' valuation less any impairment loss.

Notes to Financial Statements (Cont'd)

2. Significant accounting policies (Cont'd)

(f) Unconsolidated subsidiaries

Unconsolidated subsidiary is a subsidiary which is acquired and held exclusively with a view to its subsequent disposal in the near future therefore the control of which is intended to be temporary. Unconsolidated subsidiaries are stated at fair value which is estimated by the Directors by reference to their net asset value. Gains and losses on unconsolidated subsidiaries are included in the profit and loss account in the period in which they arise.

(g) Associates

An associate is a company in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

The Group's investments in associates are accounted for in the consolidated financial statements under the equity method. The Group's investments in associates are initially recorded at cost and adjusted thereafter for the post-acquisition changes in the Group's share of the net assets of the associates and less any impairment loss. The consolidated profit and loss account reflects the Group's share of post-acquisition results of the associates for the year.

Investments in associates are accounted for by the Company using the cost method. In the Company's balance sheet, investments in associates are stated at cost less any impairment loss.

(h) Listed and unlisted investments

Listed investments held for long-term purpose and trading purpose are stated at fair value, which is generally the market value, at the balance sheet date. Changes in fair value of the investments held for long-term purpose are recognised directly in the long-term investment revaluation reserve in the period in which the changes occur, until the investments are sold or otherwise disposed of, or until the value of the investments is determined to be impaired, at which time the cumulative gain or loss is accounted for in the profit and loss account for the year. Gains and losses on listed investments held for trading purpose are included in the profit and loss account in the period in which they arise.

Unlisted investments held for long-term purpose are stated at fair value, which is estimated by the Directors by reference to the net asset value of the investments, at the balance sheet date. Changes in fair value of the investments are recognised directly in the long-term investment revaluation reserve in the period in which the changes occur, until the investments are sold or otherwise disposed of, or until the value of the investments is determined to be impaired, at which time the cumulative gain or loss is accounted for in the profit and loss account for the year.

Upon disposal of long-term listed and unlisted investments, the gain or loss representing the difference between net sales proceeds and the carrying amount of the relevant investment together with any surplus/deficit transferred from the long-term investment revaluation reserve is dealt with in the profit and loss account. Impairment loss previously transferred from the long-term investment revaluation reserve to the profit and loss account is written back in the profit and loss account when the circumstances and events leading to the impairment cease to exist.

Notes to Financial Statements (Cont'd)

2. Significant accounting policies (Cont'd)

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is the cost of purchase. Net realisable value represents the estimated selling price less selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(j) Fixed assets

Investment properties

Investment properties are interests in land and buildings which are held for their investment potential. Investment properties are stated at their open market value based on an annual independent professional valuation at the balance sheet date. Surpluses arising on revaluations are credited to the investment property revaluation reserve and deficits arising on revaluations are firstly set off against any previous revaluation surpluses and thereafter charged to the profit and loss account on a portfolio basis. Gain or loss on disposal of an investment property, representing the difference between the net sales proceeds and the carrying amount of the relevant asset together with any revaluation reserve balance remaining attributable to the relevant asset, is recognised in the profit and loss account. No depreciation is provided on investment property held on lease with unexpired term of more than twenty years.

Other properties

Land held on long and medium term lease is depreciated over the unexpired term of the lease. Buildings are depreciated on a straight line basis over 50 years or the remaining term of the lease, if shorter. The Group had placed reliance on provision as permitted by paragraph 80 of SSAP 17 "Properties, plant and equipment" and therefore regular revaluations on land and building stated at valuation are not made.

Other fixed assets

Other fixed assets are stated at cost less accumulated depreciation and any impairment loss. Depreciation is provided to write off the cost of other fixed assets less their estimated residual value, on a straight line basis over their estimated useful lives at the following annual rates:

Equipment and motor vehicles	10 - 20%
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Gain or loss on disposal of fixed assets 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 profit and is shown as a movement in reserves.

Notes to Financial Statements (Cont'd)

2. Significant accounting policies (Cont'd)

(k) Impairment of assets

At the balance sheet date, assets are reviewed to assess whether there is any indication that assets are impaired. 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 in the profit and loss account.

Reversals of impairment losses are credited to the profit and loss account in the year in which the reversals are recognised. A reversal of impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years.

(l) Revenue recognition

Major categories of revenue are recognised in the financial statements on the following bases: Sales of listed and unlisted investments are recognised when the title to the investment is transferred and the buyer takes legal possession of the investment.

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

Interest income is accrued on a time proportion basis on the principal outstanding and at the applicable rate.

Rental receivable under operating lease is credited, on a straight line basis, over the lease terms to the profit and loss account.

(m) Deferred taxation

Deferred taxation is accounted for at current tax rate in respect of timing differences between results as computed for taxation purposes and results as stated in the financial statements to the extent that a liability or asset is expected to be payable or receivable in the foreseeable future.

(n) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Rental expenses in respect of operating leases are charged to the profit and loss account on the straight line basis over the lease terms.

(o) Retirement costs

The Group's contributions to mandatory provident fund are expensed as incurred.

(p) Foreign currencies

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences are dealt with in the profit and loss account.

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the weighted average rates for the year. The balance sheets of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. The resulting translation differences are included in the reserve.

Notes to Financial Statements (Cont'd)

2. Significant accounting policies (Cont'd)

(q) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment. Inter-segment pricing is determined on arm's length basis.

Unallocated items mainly comprise corporate assets, corporate liabilities, corporate and financing expenses.

(r) Related parties

Two parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(s) Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents consist of cash at bank and in hand, net of outstanding bank overdrafts and short-term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired.

3. Turnover

Analysis of the Group's turnover is as follows:

	2002 HK\$'000	2001 HK\$'000
Revenue from sales of listed investments	27,606	44,835
Dividends from listed investments	8,691	9,353
Dividends from unlisted investments	1,945	—
Interest income	2,349	2,937
Rental income	2,978	2,964
	<u>43,569</u>	<u>60,089</u>

Notes to Financial Statements (Cont'd)

4. Segment reporting

(i) Business segments

The Group comprises the following business segments:

Share investment and dealing — investment in listed and unlisted securities, purchase and sales of long-term and short-term listed securities
 Other operation — property investment

	Share investment and dealing		Other operation		Elimination		Consolidated	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Segment Revenue								
Turnover	40,971	57,760	2,978	2,964	(380)	(635)	43,569	60,089
Other revenue and income	1,652	5,597	—	—	—	—	1,652	5,597
Total revenue	<u>42,623</u>	<u>63,357</u>	<u>2,978</u>	<u>2,964</u>	<u>(380)</u>	<u>(635)</u>	<u>45,221</u>	<u>65,686</u>
Segment results	<u>(126,351)</u>	<u>(157,283)</u>	<u>253</u>	<u>192</u>	<u>2,000</u>	<u>2,000</u>	<u>(124,098)</u>	<u>(155,091)</u>
Impairment loss on investment in associate							(17,030)	—
Provision for advance to associate							(559)	—
Loss on disposals of fixed assets							(880)	—
Loss on disposal of associate							(302)	—
Finance costs							(20,590)	(29,627)
Share of results of associates							(75,697)	(4,342)
Loss before taxation							(239,156)	(189,060)
Taxation							(32)	(1,979)
Loss attributable to shareholders							<u>(239,188)</u>	<u>(191,039)</u>
Segment assets	1,504,500	1,517,234	35,021	37,030	(23,655)	(23,325)	1,515,866	1,530,939
Interests in associates							222,825	312,733
Unallocated assets							766	4,380
Total assets							<u>1,739,457</u>	<u>1,848,052</u>
Segment liabilities	526,129	512,399	24,222	23,730	(23,655)	(23,325)	526,696	512,804
Unallocated liabilities							2,556	2,548
Total liabilities							<u>529,252</u>	<u>515,352</u>
Other segment information								
Capital expenditure	16,797	38	—	—	—	—	16,797	38
Depreciation	180	63	—	—	—	—	180	63
Provision for impairment in value of investments	3,889	166,353	—	—	—	—	3,889	166,353
Unrealised loss on unconsolidated subsidiaries	140,000	20,000	—	—	—	—	140,000	20,000

(ii) Geographical segments

Over 90% of the Group's revenue, assets and capital expenditure are derived from operations carried out in Hong Kong.

Notes to Financial Statements (Cont'd)

5. Operating loss before finance costs

	2002 HK\$'000	2001 HK\$'000
Operating loss before finance costs is stated after (crediting)/charging:		
Gross rental income from investment properties	(2,978)	(2,964)
Outgoings	<u>344</u>	<u>52</u>
	(2,634)	(2,912)
Auditors' remuneration	633	678
Staff costs	3,563	3,297
Depreciation	180	63
Rental of properties under operating leases	499	493
Loss on dissolution of investee companies	32	—
Profit on disposals of subsidiaries	—	(751)
Unrealised gain on listed investments held for trading purpose	(1,455)	(2,017)

6. Directors' remuneration

	2002 HK\$'000	2001 HK\$'000
Fee		
Independent Non-executive Directors	60	40
Other Directors	90	110
Other emoluments (Executive Directors)		
Salaries and allowances	4,026	4,141
Long-service payment	—	1,011
Contributions to retirement scheme	<u>134</u>	<u>148</u>
	<u>4,310</u>	<u>5,450</u>
	2002	2001
	Number of	Number of
	Directors	Directors
HK\$ Nil — HK\$1,000,000	6	5
HK\$1,000,001 — HK\$1,500,000	—	1
HK\$4,000,001 — HK\$4,500,000	<u>1</u>	<u>1</u>
	<u>7</u>	<u>7</u>

There was no arrangement under which a Director had waived or agreed to waive any remuneration. Pursuant to an Annual Bonus Scheme approved by the Board, Mr. Tan Boon Seng was eligible to an annual cash bonus determinable under the terms of that Scheme. No such cash bonus was provided for the year (2001: nil).

Notes to Financial Statements (Cont'd)

7. Five highest-paid employees

During the year, the five highest-paid employees in the Group included one (2001: two) Director, details of whose emoluments are included in the disclosure of Directors' remuneration. The details of the remaining four (2001: three) highest-paid non-director employees are as follows:

	2002 HK\$'000	2001 HK\$'000
Salaries and other emoluments	1,534	1,193
Long-service payment	565	—
Contributions to retirement scheme	74	60
	<u>2,173</u>	<u>1,253</u>

The emoluments of each of the non-director employees were below HK\$1,000,000 for 2002 and 2001.

8. Finance costs

	2002 HK\$'000	2001 HK\$'000
Interest on bank loans and overdrafts	18,366	29,570
Loan facility arrangement fees	2,224	57
	<u>20,590</u>	<u>29,627</u>

9. Net gain on disposals of long-term listed investments

	2002 HK\$'000	2001 HK\$'000
Profit on disposals of listed investments	9,713	4,946
Amount transferred from long-term investment revaluation reserve	6,052	4,545
	<u>15,765</u>	<u>9,491</u>

10. Taxation

	2002 HK\$'000	2001 HK\$'000
Hong Kong profits tax provision:		
Company and subsidiaries —		
current year	—	—
underprovision for prior years	—	1,961
	<u>—</u>	<u>1,961</u>
Share of associates' taxation	32	18
	<u>32</u>	<u>1,979</u>

No Hong Kong profits tax has been provided for the Company and its subsidiaries for the 2002/03 year of assessment (2001/02: no provision) as no assessable profit was earned during the year.

No provision for deferred taxation has been made as no liability would be likely to arise as a result of the reversal of timing differences in the foreseeable future and revaluation surpluses arising from the revaluation of the Group's investment properties do not constitute a timing difference for tax purpose.

Deferred tax asset of HK\$4,200,000 (2001: nil) in respect of tax loss has not been recognised in the financial statements.

Notes to Financial Statements (Cont'd)

11. Loss attributable to shareholders

The loss attributable to shareholders includes an amount of HK\$221,511,000 (2001: HK\$209,998,000) which has been dealt with in the financial statements of the Company.

12. Dividends

	2002 HK\$'000	2001 HK\$'000
Interim dividend paid — 1 cent per share (2001: 1 cent per share)	3,388	3,403
Final dividend proposed — nil (2001: 1 cent per share)	—	3,388
	<u>3,388</u>	<u>6,791</u>

13. Loss per share

The calculation of loss per share is based on loss attributable to shareholders of HK\$239,188,000 (2001: HK\$191,039,000) and weighted average of 338,784,441 (2001: 340,975,685) shares of HK\$1 each in issue during the year.

14. Fixed assets

Group	Land and buildings in Hong Kong — long lease HK\$'000	Property in Hong Kong — long lease HK\$'000	Investment properties in Hong Kong — long lease HK\$'000	Equipment and motor vehicles HK\$'000	Total HK\$'000
Cost or valuation					
At professional valuation	—	3,500	37,000	—	40,500
At cost	—	114	—	1,489	1,603
At 31.12.2001	—	3,614	37,000	1,489	42,103
Additions	16,784	—	—	13	16,797
Disposals	—	(3,614)	—	(2)	(3,616)
Revaluation deficit	—	—	(2,000)	—	(2,000)
At 31.12.2002	<u>16,784</u>	<u>—</u>	<u>35,000</u>	<u>1,500</u>	<u>53,284</u>
Accumulated depreciation					
At 31.12.2001	—	—	—	1,358	1,358
Provision	125	—	—	55	180
Write-back	—	—	—	(1)	(1)
At 31.12.2002	<u>125</u>	<u>—</u>	<u>—</u>	<u>1,412</u>	<u>1,537</u>
Net book amount					
At 31.12.2002	<u>16,659</u>	<u>—</u>	<u>35,000</u>	<u>88</u>	<u>51,747</u>
At 31.12.2001	<u>—</u>	<u>3,614</u>	<u>37,000</u>	<u>131</u>	<u>40,745</u>

Notes to Financial Statements (Cont'd)

14. Fixed assets (Cont'd)

Company

	Property in Hong Kong — long lease
	<u>HK\$'000</u>
Cost or valuation	
At professional valuation	3,500
At cost	114
	<u>3,614</u>
At 31.12.2001	3,614
Disposals	(3,614)
	<u>—</u>
At 31.12.2002	<u>—</u>

Cost or valuation of properties at 31 December 2002 was made up as follows:

	Land and buildings in Hong Kong — long lease	Investment properties in Hong Kong — long lease	Total
	<u>HK\$'000</u>	<u>HK\$'000</u>	<u>HK\$'000</u>
<u>Group</u>			
At cost	16,784	—	16,784
At 2002 professional valuation	—	35,000	35,000
	<u>16,784</u>	<u>35,000</u>	<u>51,784</u>

The investment properties in Hong Kong were revalued as at 31 December 2002, on an open market value basis, by DTZ Debenham Tie Leung Limited, independent professional valuers.

15. Goodwill

	<u>Group</u>	
	2002	2001
	HK\$'000	HK\$'000
Goodwill carried in reserves		
At cost	<u>61</u>	<u>61</u>

Notes to Financial Statements (Cont'd)

16. Interests in subsidiaries

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	25,320	25,320
Less: Impairment loss	(16,043)	(16,043)
	<u>9,277</u>	<u>9,277</u>
Amounts due from subsidiaries	1,729,755	1,707,261
Less: Provision	(903,978)	(664,568)
	<u><u>835,054</u></u>	<u><u>1,051,970</u></u>

Amounts due from subsidiaries were unsecured, non-interest bearing and with no fixed term of repayment.

Details of the subsidiaries are as follows:

Unlisted companies	Principal activities	Issued and paid up ordinary share capital/ registered capital	Place of incorporation/ operation	Percentage of equity interest held	
				by the Company	by the subsidiary
Diamond Way Inc.	Investment holding	US\$1	Liberia	—	100
HK 8 Limited	Investment holding	US\$1	Liberia	—	100
HK 9 Limited	Investment holding	US\$1	Liberia	—	100
HK 12 Limited	Investment holding	US\$1	Liberia	—	100
HK 28 Limited	Investment holding	US\$1	Liberia	—	100
HK 38 Limited	Investment holding	US\$1	Liberia	—	100
HK 68 Limited	Investment holding	US\$1	Liberia	—	100
HK 333 Limited	General investment	US\$1	Liberia	—	100
HK 368 Limited	Investment holding	US\$1	Liberia	—	100
HK 888 Limited	Investment holding	US\$1	Liberia	—	100
Kwai Ling Enterprises Company Limited	General investment	HK\$7,700,000	Hong Kong	60	40
Lee Hing Investment Company, Limited	Property investment and investment holding	HK\$2,000,000	Hong Kong	100	—
Lucky Term Company Limited	Dormant	HK\$2	Hong Kong	—	100
Sinonet Holdings Limited	Investment holding	US\$1	British Virgin Islands	100	—
Tek Lee Nominees Limited	Property investment	HK\$2	Hong Kong	—	100
Wang Tak Company Limited	Investment holding	HK\$1,000,000	Hong Kong	100	—

Notes to Financial Statements (Cont'd)

17. Interests in associates

	Group	
	2002	2001
	HK\$'000	HK\$'000
Unlisted investments		
Share of net (liabilities) assets	(45,370)	28,772
Less: Impairment loss	(17,030)	—
	(62,400)	28,772
Subordinated loan to an associate	129,656	125,668
Amounts due from associates	160,415	163,370
Less: Provision	(2,603)	(2,834)
	225,068	314,976
Amounts due to associates	(2,243)	(2,243)
	<u>222,825</u>	<u>312,733</u>

	Company	
	2002	2001
	HK\$'000	HK\$'000
Unlisted investments		
Shares, at cost	394	394
Less: Impairment loss	(394)	(156)
	—	238
Amounts due from associates	157,069	157,069
Less: Provision	(7,196)	(2,044)
	<u>149,873</u>	<u>155,263</u>

Subordinated loan to an associate and amounts due from and due to associates were unsecured, non-interest bearing and with no fixed term of repayment.

Details of the associates are as follows:

Unlisted companies	Principal activities	Place of incorporation/ operation	Percentage of equity interest held by the Group
Bo Tat Tak Enterprises Limited	Property development and investment	Hong Kong	50
Cheer Star Development Limited	Hotel operation	Hong Kong	28
Double Golden Sdn. Bhd.	General investment	Malaysia	50
Ichiban Properties Limited	Investment holding	British Virgin Islands	50
Infinity Goal Limited	Property development	Hong Kong	35
Key Finance Limited	Investment holding	British Virgin Islands	50
Parkway M & A Capital Corporation	Investment holding	British Virgin Islands	39
Phil Inc.	Dormant	U.S.A.	20
Start Hold Limited	Investment holding	Hong Kong	33

Notes to Financial Statements (Cont'd)

18. Long-term investments

	2002 HK\$'000	Group	2001 HK\$'000
(a) Unlisted investments			
Shares, at cost	104,259		113,535
Less: Provision for impairment in value	(64,051)		(50,513)
Change in fair value transferred to long-term investment revaluation reserve	(1,452)		2,637
Fair value	38,756		65,659
Amounts due from investee companies	—		6,139
Less: Provision	—		(6,108)
Amounts due to investee companies	(350)		(351)
	<u>38,406</u>		<u>65,339</u>

Amounts due from and due to investee companies were unsecured, non-interest bearing and with no fixed term of repayment.

	2002 HK\$'000		2001 HK\$'000
(b) Listed investments			
Listed shares, at cost —			
Hong Kong	427,770		425,347
Overseas	550,982		562,372
	978,752		987,719
Less: Provision for impairment in value	(515,992)		(534,914)
Change in fair value transferred to long-term investment revaluation reserve	222,794		92,016
Market value	<u>685,554</u>		<u>544,821</u>
	2002 HK\$'000		2001 HK\$'000
Total of (a) and (b)	<u>723,960</u>		<u>610,160</u>

19. Disclosure under Section 129(2) of the Companies Ordinance

At 31 December 2002, the Group held shares in the below-mentioned body corporate, the value of which was in excess of one-tenth of the Group's total assets:

Listed company	Place of incorporation	Percentage of equity interest held by the Group
Resorts World Berhad	Malaysia	2.13

Notes to Financial Statements (Cont'd)

20. Inventories

	2002	<u>Group</u>	2001
	HK\$'000		HK\$'000
Unsold properties	766		766
	<u>766</u>		<u>766</u>

Unsold properties of HK\$766,000 (2001: HK\$766,000) were carried at cost. Full provision of HK\$12,736,000 (2001: \$12,736,000) has been made for certain unsold properties.

21. Listed investments and other asset

	2002	<u>Group</u>	2001
	HK\$'000		HK\$'000
(a) Listed investments			
Listed shares, at cost —			
Hong Kong	—		1,844
Overseas	2,661		2,661
	<u>2,661</u>		<u>4,505</u>
Unrealised gain	5,656		2,795
Market value	8,317		7,300
(b) Other asset			
Club debenture, at cost	295		295
	<u>8,612</u>		<u>7,595</u>

22. Interests in unconsolidated subsidiaries

	2002	<u>Group</u>	2001
	HK\$'000		HK\$'000
Unlisted shares, at cost	798,281		798,281
Less: Unrealised loss	(160,000)		(20,000)
	<u>638,281</u>		<u>778,281</u>

The Group's share of post-acquisition profit of the unconsolidated subsidiaries for the year ended 31 December 2002 amounted to HK\$12,600,000, (Prior years since acquisition amounted to HK\$57,037,000) which has not been dealt with in the Group's financial statements.

Details of the unconsolidated subsidiaries are set out in note 37.

Notes to Financial Statements (Cont'd)

23. Debtors, deposits and prepayments

The Group maintains a defined credit policy on its trade debtors.

	<u>Group</u>	
	2002	2001
	HK\$'000	HK\$'000
Trade debtors over 90 days	14,241	13,002
Other debtors, deposits and prepayments	580	1,084
	<u>14,821</u>	<u>14,086</u>

24. Creditors, deposits and accruals

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Trade creditors	—	—	—	—
Other creditors, deposits and accruals	46,439	46,716	1,976	2,002
	<u>46,439</u>	<u>46,716</u>	<u>1,976</u>	<u>2,002</u>

25. Secured bank loans

	<u>Group</u>	
	2002	2001
	HK\$'000	HK\$'000
Bank loans	479,066	468,000
Amount payable within one year classified under current liabilities	(468,822)	(468,000)
	<u>10,244</u>	<u>—</u>
Repayment period of bank loans		
Within one year	468,822	468,000
One to two years	843	—
Two to five years	2,658	—
Over five years	6,743	—
	<u>479,066</u>	<u>468,000</u>

Notes to Financial Statements (Cont'd)

26. Share capital

	2002 HK\$'000	2001 HK\$'000
Authorised		
Ordinary shares of HK\$1 each	<u>410,000</u>	<u>410,000</u>
Issued and fully paid		
Ordinary shares of HK\$1 each		
Balance at beginning of year	339,291	341,973
Repurchase of shares	<u>(526)</u>	<u>(2,682)</u>
Balance at end of year	<u>338,765</u>	<u>339,291</u>

Repurchase of shares

During the year, the Company repurchased 526,000 (2001: 2,682,000) of its own shares on The Stock Exchange of Hong Kong Limited, details of which are shown below:

Month of repurchase	Number of shares	Price per share paid (HK\$)	Aggregate price paid (HK\$)
<u>2002</u>			
January	526,000	1.98	1,041,480

The above-mentioned shares were cancelled upon repurchase and, accordingly, the issued share capital of the Company was diminished by the nominal value of these shares. The premium and brokerage expenses paid on repurchase were charged against retained profit and an amount equivalent to the nominal value of the shares cancelled was transferred from retained profit to the capital redemption reserve account as shown in note 27.

Notes to Financial Statements (Cont'd)

27. Reserves

Company

	Capital redemption reserve	Share premium	Capital reserve	Property revaluation reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.1.2001	6,244	316,006	53,585	3,000	707,361	1,086,196
Loss for the year	—	—	—	—	(209,998)	(209,998)
Dividends	—	—	—	—	(6,791)	(6,791)
Premium and brokerage expenses paid on share repurchases	—	—	—	—	(2,898)	(2,898)
Transfer to capital redemption reserve upon share repurchases	2,682	—	—	—	(2,682)	—
At 31.12.2001	8,926	316,006	53,585	3,000	484,992	866,509
At 1.1.2002	8,926	316,006	53,585	3,000	484,992	866,509
Loss for the year	—	—	—	—	(221,511)	(221,511)
Dividend	—	—	—	—	(3,388)	(3,388)
Realised on disposal of property	—	—	—	(3,000)	3,000	—
Premium and brokerage expenses paid on share repurchases	—	—	—	—	(519)	(519)
Transfer to capital redemption reserve upon share repurchases	526	—	—	—	(526)	—
At 31.12.2002	9,452	316,006	53,585	—	262,048	641,091

Group

	Capital redemption reserve	Share premium	Capital reserve	Investment property revaluation reserve	Property revaluation reserve	Long-term investment revaluation reserve	Retained profit	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1.1.2001	6,244	316,006	53,585	16,725	3,000	(80,220)	703,832	1,019,172
Realised on disposals of long-term listed investments	—	—	—	—	—	(4,545)	—	(4,545)
Revaluation surplus (deficit)	—	—	—	(2,000)	—	12,519	—	10,519
Transfer to profit and loss account upon impairment in value of long-term investments	—	—	—	—	—	166,353	—	166,353
Release of net negative goodwill upon disposals of subsidiaries	—	—	—	—	—	—	(751)	(751)
Loss for the year	—	—	—	—	—	—	(191,039)	(191,039)
Dividends	—	—	—	—	—	—	(6,791)	(6,791)
Premium and brokerage expenses paid on share repurchases	—	—	—	—	—	—	(2,897)	(2,897)
Transfer to capital redemption reserve upon share repurchases	2,682	—	—	—	—	—	(2,682)	—
At 31.12.2001	8,926	316,006	53,585	14,725	3,000	94,107	499,672	990,021
Retained by:								
Company and subsidiaries	8,926	316,006	53,585	14,725	3,000	94,653	502,517	993,412
Associates	—	—	—	—	—	(546)	(2,845)	(3,391)
	8,926	316,006	53,585	14,725	3,000	94,107	499,672	990,021
At 1.1.2002	8,926	316,006	53,585	14,725	3,000	94,107	499,672	990,021
Realised on disposals of long-term listed investments	—	—	—	—	—	(6,052)	—	(6,052)
Realised on disposal of property	—	—	—	—	(3,000)	—	3,000	—
Revaluation surplus (deficit)	—	—	—	(2,000)	—	132,741	—	130,741
Share of associate's reserve	—	—	—	—	—	(175)	—	(175)
Loss for the year	—	—	—	—	—	—	(239,188)	(239,188)
Dividend	—	—	—	—	—	—	(3,388)	(3,388)
Premium and brokerage expenses paid on share repurchases	—	—	—	—	—	—	(519)	(519)
Transfer to capital redemption reserve upon share repurchases	526	—	—	—	—	—	(526)	—
At 31.12.2002	9,452	316,006	53,585	12,725	—	220,621	259,051	871,440
Retained by:								
Company and subsidiaries	9,452	316,006	53,585	12,725	—	221,342	334,213	947,323
Associates	—	—	—	—	—	(721)	(75,162)	(75,883)
	9,452	316,006	53,585	12,725	—	220,621	259,051	871,440

Notes to Financial Statements (Cont'd)

28. Reserves available for distribution to shareholders

At balance sheet date, the reserves of the Company available for distribution to shareholders, as calculated under the provisions of Section 79B of the Companies Ordinance, amounted to HK\$262,048,000 (2001: HK\$484,992,000).

29. Note to consolidated cash flow statement

Reconciliation of loss before taxation to net cash (used in) from operating activities is set out below:

	2002 HK\$'000	2001 HK\$'000
Cash flows from operating activities		
Loss before taxation	(239,156)	(189,060)
Adjustments for:		
Depreciation	180	63
Share of results of associates	75,697	4,342
Loss on disposal of associate	302	—
Impairment loss on investment in associate	17,030	—
Provision for advance to associate	559	—
Gain on disposals of long-term unlisted investments	—	(10,854)
Loss on dissolution of investee companies	32	—
Net gain on disposals of long-term listed investments	(15,765)	(9,491)
Investment held for trading purpose written off	—	174
Unrealised loss on unconsolidated subsidiaries	140,000	20,000
Profit on disposals of subsidiaries	—	(751)
Loss on disposals of fixed assets	880	—
Provision for (write back) of impairment in value of long-term investments	3,889	(1,593)
Amount transferred from long-term investment revaluation reserve on impairment in value of long-term listed investments	—	166,353
Unrealised gain on listed investments held for trading purpose	(1,455)	(2,017)
Interest expenses	18,366	29,570
Interest income	(2,349)	(2,937)
Dividend income	(10,636)	(9,353)
Operating loss before working capital changes	(12,426)	(5,554)
Decrease in listed investments held for trading purpose	438	—
Increase in interests in unconsolidated subsidiaries	—	(1,131)
Decrease in debtors, deposits and prepayments	504	72,118
Increase (decrease) in creditors, deposits and accruals	106	(1,351)
Cash (used in) generated from operations	(11,378)	64,082
Dividend received from associate	100	100
Dividends received	10,636	9,353
Interest received	1,110	2,251
Interest paid	(18,749)	(371)
Hong Kong profits tax paid	—	(26,851)
Net cash (used in) from operating activities	(18,281)	48,564

Notes to Financial Statements (Cont'd)

30. Pledge of assets

The Group pledged the shares in the unconsolidated subsidiary, certain listed shares, certain bank deposits, certain investment properties and other properties as security for banking facilities extended to the Group in the sum of HK\$757,200,000 (2001: HK\$746,000,000). At the balance sheet date, the facilities utilized amounted to HK\$521,177,000 (2001: HK\$507,000,000).

The Group pledged the shares in an associate as part of the security for bank loans granted to the associate. The Group has also subordinated and assigned its loan to the associate of HK\$129,656,000 (2001: HK\$125,668,000) to the bank as security.

31. Related party transactions

Other than the transactions and balances disclosed elsewhere in the financial statements, the Group had no material transactions with related parties during the year.

32. Retirement scheme

All the employees of the Group are members of the Mandatory Provident Fund Scheme. Under the Mandatory Provident Fund Scheme, the Group and its employees each made contributions to the scheme calculated at 5% of the employees' relevant income on a monthly basis. The amount of contributions charged to the profit and loss account for the year was HK\$289,000 (2001: HK\$305,000).

33. Future minimum rental payments receivable

The future minimum rental payments receivable under non-cancellable leases are as follows:

	2002 HK\$'000	Group <u>2001</u> HK\$'000
Within one year	2,078	2,261
Between two and five years	<u>—</u>	<u>1,677</u>
	<u>2,078</u>	<u>3,938</u>

The Group's operating leases are for terms of two to three years.

Notes to Financial Statements (Cont'd)

34. Future minimum rental payments payable

The future minimum rental payments payable under non-cancellable leases are as follows:

	<u>Group</u>	
	2002	2001
	HK\$'000	HK\$'000
Within one year	—	575
	<u> </u>	<u> </u>

35. Contingent liabilities

	<u>Group</u>		<u>Company</u>	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees for credit facilities granted to —				
subsidiaries	—	—	713,200	702,000
an associate	41,250	41,250	41,250	41,250
	<u>41,250</u>	<u>41,250</u>	<u>754,450</u>	<u>743,250</u>

36. Approval of financial statements

The financial statements were approved by the Board of Directors on 28 April 2003.

Notes to Financial Statements (Cont'd)

37. Details of unconsolidated subsidiaries

Unlisted companies	Principal activities	Issued and paid up ordinary share capital/ registered capital	Place of incorporation/ operation	Percentage of equity interest held by subsidiary
Argent Holdings Ltd.	Investment holding	US\$30,257	British Virgin Islands	91
Silverlink Holdings Ltd.	Investment holding	US\$17,736,013	British Virgin Islands	62
Andaman Resorts Co. Ltd. ("Amanpuri")	Hotel operations	THB6,000,000	Thailand	100
Societe Nouvelle de L'Hotel Bora Bora ("Hotel Bora Bora")	Hotel operations	CFP239,343,000	French Polynesia	100
P.T. Amanusa Resort Indonesia ("Amanusa")	Hotel operations	Rp2,432,400,000	Indonesia	60
P.T. Moyo Safari Abadi ("Amanwana")	Hotel operations	Rp5,000,000,000	Indonesia	54
P.T. Nusantara Island Resorts ("Amankila")	Hotel operations	Rp2,677,500,000	Indonesia	60
S.A. Le Melezin ("Le Melezin")	Hotel operations	EUR2,200,000	France	81
P.T. Villa Ayu ("Amandari")	Hotel operations	Rp1,980,810,000	Indonesia	60
Amanresorts Services Limited	Hotel management	US\$10	British Virgin Islands	100
Amanresorts Management B.V.	Hotel management	NLG40,000	Netherlands	100
ARL Marketing Inc.	Hotel marketing	US\$1,000	U.S.A.	100
S.C.I. Le Savoy	Property holding	EUR2,000	France	81
Amankila Resorts Limited	Investment holding	US\$1	British Virgin Islands	100
Aradal Company N.V.	Investment holding	US\$6,000	Netherlands	100
Jackson Hole Holdings Limited	Investment holding	US\$2	British Virgin Islands	100
Jackson Street Heritage Limited	Investment holding	US\$2	British Virgin Islands	100
Jackson Street Holdings Limited	Investment holding	US\$2	British Virgin Islands	100
Palawan Holdings Limited	Investment holding	US\$100	British Virgin Islands	100
Tahitian Resorts Limited	Investment holding	US\$1	British Virgin Islands	100
Toscano Holdings Limited	Investment holding	US\$10	British Virgin Islands	100
Balina Pansea Company Limited	Investment holding	US\$10,000	British Virgin Islands	100
Marrakech Investments Limited	Investment holding	US\$2	British Virgin Islands	100
Le Savoy Limited	Investment holding	US\$10,000	British Virgin Islands	81
Nusantara Island Resorts Limited	Investment holding	US\$5	British Virgin Islands	60
Goyo Services Limited	Investment holding	US\$2	British Virgin Islands	60
Silverlink Properties Investments Limited	Dormant	US\$16,912	British Virgin Islands	100
V.E. Holdings Limited	Dormant	US\$1,470,588	British Virgin Islands	51
Regional Design & Research N.V.	Investment holding	US\$6,000	Netherlands	60
Amanresorts B.V.	Investment holding	NLG40,000	Netherlands	100

Notes to Financial Statements (Cont'd)

37. Details of unconsolidated subsidiaries (Cont'd)

Unlisted companies	Principal activities	Issued and paid up ordinary share capital/ registered capital	Place of incorporation/ operation	Percentage of equity interest held by subsidiary
Andaman Development Company Limited	Investment holding	THB500,000	Thailand	100
Regional Design & Research B.V.	Investment holding	NLG40,000	Netherlands Antilles	60
Silverlink (Thailand) Company Limited	Investment holding	THB100,000	Thailand	100
Amanresorts Limited	Holder of intellectual property rights	HK\$200	Hong Kong	100
Amanresorts IPR B.V.	Holder of intellectual property rights	NLG40,000	Netherlands	100
Amanresorts Technical Services B.V.	Technical services	NLG40,000	Netherlands	100
Amancruises Company Limited	Cruise boat operator	THB10,000,000	Thailand	100
P.T. Indrakilla Villatama Development	Investment holding	Rp100,000,000	Indonesia	60
Amanresorts Asia Limited	Dormant	US\$2	British Virgin Islands	100
P.T. Tirta Villa Ayu	Dormant	Rp20,000,000	Indonesia	50
P.T. Amanresorts Indonesia	Hotel management	Rp551,562,500	Indonesia	100
Amanresorts International Pte Ltd.	Corporate office	S\$100,000	Singapore	100
Amanmalaysia Ltd.	Dormant	US\$2	British Virgin Islands	100
Tipperary International Pty. Ltd.	Dormant	A\$2	Australia	100
Amanusa Ltd.	Dormant	US\$2	British Virgin Islands	100
Zeugma Ltd.	Dormant	US\$100	British Virgin Islands	80
Hotel Finance International Ltd.	Investment holding	US\$2	British Virgin Islands	100
Amanresorts Hawaii Inc.	Dormant	US\$5,000	U.S.A.	100
Queensdale Management Ltd.	Dormant	US\$100	British Virgin Islands	51
Andaman Holdings Ltd.	Investment holding	US\$2	British Virgin Islands	100
Amancruises Indonesia Ltd.	Dormant	US\$2	British Virgin Islands	100
Bhutan Hotels Limited	Investment holding	US\$2	British Virgin Islands	100
Hotel Scopevista Limited	Hotel operations	Rs10,649,410	India	100