

Notes to Financial Statements

31 December 2002

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in investment holding, property holding and investment, the development of properties for sale, investing in infrastructure and energy projects, the water supply business to Hong Kong, Shenzhen and Dongguan in the mainland of the People's Republic of China ("PRC" or "Mainland China"), hotel ownership and operations, hotel management, the provision of travel and transportation services (the "Tours Operation"), the manufacture of malts for the brewing industry (the "Malting Operation"), the production of beer (the "Brewing Operation"), the processing and sale of semi-finished and finished leather (the "Tannery Operation"), the merchandise trading (the "Merchandise Trading Operation"), and the provision of mortgage finance.

During the year, the Group's businesses in the design, manufacture and sale of leather ware products (the "Leather Ware Products Operation") and the manufacture and sale of packaging materials (the "Packaging Materials Operation") were discontinued as a result of the Group's disposal of its entire 60% interest in Alpha Universal Limited ("Alpha Universal") and termination of operation of Xuzhou Gangwei Colour Package Co., Ltd. ("Xuzhou Gangwei"), respectively. Accordingly, these operations are disclosed as "Discontinued Operations" and additional disclosures pursuant to SSAP 33 are set out in notes 6(b) and 6(c) to the financial statements, respectively.

Subsequent to the balance sheet date on 26 February 2003, the Company publicly announced that it entered into a conditional agreement (the "Disposal Agreement") with the Company's parent company, GDH Limited, under which the Group would sell various of its entire investments in certain subsidiaries and an associate to GDH Limited (the "Disposal Transaction"). The Disposal Transaction was completed on 31 March 2003, and those investments, together with their principal activities, are summarised as follows:

Investments (as at 31 December 2002)	Principal activities
900,000,000 shares in the issued share capital of Guangdong Brewery Holdings Limited	the Brewing Operation
375,100,000 shares in the issued share capital of Guangdong Tannery Limited and intercompany debts owed to the Company and one of its subsidiaries	the Tannery Operation and the Merchandise Trading Operation
100% interest in Supertime Development Limited and net intercompany debts owed to the Company and two of its subsidiaries	the Malting Operation
100% interest in Guangdong (H.K.) Tours Company Limited and intercompany debts owed to the Company	the Tours Operation
24.8% interest in 廣州市番禺粵海房地產有限公司 (Guangzhou Panyu Yue Hai Real Estate Limited)	the Property Development

Notes to Financial Statements (continued)

31 December 2002

1. CORPORATE INFORMATION (continued)

Upon the completion of the Disposal Transaction, the Group will discontinue its Brewing Operation, Tannery Operation, Merchandise Trading Operation, Malting Operation, and Tours Operation. Accordingly, these operations are disclosed as “Discontinuing Operations” and additional disclosures pursuant to SSAP 33 are set out in note 6(a) to the financial statements.

In 2001, the Group’s business in the design, supply and installation of curtain walls and aluminium windows (the “Curtain Wall Operation”) was discontinued as a result of the Company’s disposal of its entire 57.16% interest in Guangdong Building Industries Limited (“GD Building”). Further details of this transaction are set out in note 6(d) to the financial statements.

In the opinion of the directors, the ultimate holding company of the Company is 廣東粵港投資控股有限公司 (Guangdong Yue Gang Investment Holdings Company Limited) (“Yue Gang Investment”), a company established in Mainland China.

2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”)

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

- SSAP 1 (Revised) : “Presentation of financial statements”
- SSAP 11 (Revised) : “Foreign currency translation”
- SSAP 15 (Revised) : “Cash flow statements”
- SSAP 33 : “Discontinuing operations”
- SSAP 34 : “Employee benefits”

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of adopting these SSAPs are summarised as follows:

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 SAAP is that a consolidated summary statement of changes in equity is now presented on page 71 of the financial statements in place of the consolidated statement of recognised gains and losses that was previously required.

Notes to Financial Statements (continued)

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2. IMPACT OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE (“SSAPs”) (continued)

SSAP 11 (Revised) prescribes the basis for the translation of foreign currency transactions and financial statements. The principal impact of the revision of this SSAP on the consolidated financial statements is that the profit and loss accounts of subsidiaries and associates operating in Mainland China and overseas are now translated to Hong Kong dollars at the weighted average exchange rate for the year whereas previously they were translated at the exchange rate at the balance sheet date. As it is impractical to reasonably determine the prior year adjustment, these changes in accounting policy are applied prospectively in accordance with SSAP 2. The effect on the results of the current year is not significant. Further details of this change are included in the accounting policy for “Foreign currencies” in note 3 to the financial statements.

SSAP 15 (Revised) prescribes the revised format for the cash flow statement. The principal impact of the revision of the SSAP is that the consolidated cash flow statement now presents cash flows under three headings, cash flows from operating, investing and financing activities, rather than the five headings previously required. The significant reclassifications resulting from the change in presentation are that taxes paid, interest received and paid, and dividends received and paid, are now included in cash flows from operating activities. The presentation of the 2001 comparative cash flow statement has been changed to accord with the new layout. In addition, cash flows from subsidiaries and associates operating in Mainland China and overseas are now translated to Hong Kong dollars at the weighted average exchange rates for the year whereas previously they were translated at the exchange rate at the balance sheet date, and the definition of cash equivalents for the purpose of the cash flow statement has been revised. Further details of these changes are included in the accounting policy for “Foreign currencies” in note 3 to the financial statements.

SSAP 33 replaces the existing disclosure requirements for discontinuing operations, which were previously included in SSAP 2. The SSAP defines discontinuing operations and prescribes when an enterprise should commence including discontinuing operations disclosures in its financial statements and the disclosures required. The principal impact of the SSAP is that more extensive disclosures concerning the Group’s discontinuing/discontinued operations are now included in note 6 to the financial statements.

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 had no material effect on the financial statements. Additional disclosures are now required in respect of the Group’s share option schemes, as detailed in note 44 to the financial statements. These share option scheme disclosures are similar to the Rules Governing the Listing of Securities (the “Listing Rules”) on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) disclosures previously included in the Report of the Directors, which are now required to be included in the notes to the financial statements as a consequence of the SSAP.

Notes to Financial Statements (continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Statements of Standard Accounting Practice, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of investment and hotel properties and other investments, as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2002. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intra-group transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

A subsidiary is a company, other than a jointly-controlled entity, in which the Company, directly or indirectly, controls more than half of their voting power or issued share/registered capital or controls the composition of its board of directors.

The Company's interests in subsidiaries are stated at cost less any impairment losses.

Joint venture companies

A joint venture company is a company set up by contractual arrangement, whereby the Group and other parties undertake an economic activity. The joint venture company operates as a separate entity in which the Group and the other parties have an interest.

The joint venture agreement between the venturers stipulate the capital contributions of the joint venture parties, the duration of the joint venture and the basis on which assets are to be realised upon its dissolution. The profits and losses from operations and any distribution of surplus assets are shared by the venturers either in proportion to their respective capital contributions, or in accordance with the terms of the joint venture agreement.

Notes to Financial Statements (continued)

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

A joint venture company is treated as:

- (a) a subsidiary, if the Group has unilateral control, directly or indirectly, over the joint venture company; or
- (b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control over the joint venture company; or
- (c) an associate, if the Group does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) an investment security, if the Group holds less than 20% of the joint venture company's registered capital or the Group has neither joint control of nor is in a position to exercise significant influence over the joint venture company.

Jointly-controlled entity

A jointly-controlled entity is a joint venture company which is subject to joint control, resulting in none of the participating parties having unilateral control over the economic activity of the jointly-controlled entity.

The Group's share of the post-acquisition results and reserves of a jointly-controlled entity is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interest in a jointly-controlled entity is stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any impairment losses.

Associates

An associate is a company, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

Notes to Financial Statements (continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Associates (continued)

The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in associates are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting, less any impairment losses. Goodwill or negative goodwill arising from the acquisition of associates, which was not previously eliminated or recognised in consolidated capital reserve, is included as part of the Group's interests in associates.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. The Company's interests in associates are treated as long-term assets and are stated at cost less any impairment losses.

Contractual joint venture

A contractual joint venture refers to the rights and obligations stipulated in a contract for the development, jointly with independent third parties, of investment projects in Mainland China. Under the terms of such contracts, the Group does not hold any of the joint ventures' registered capital and the residual interests in the projects will be transferred to various parties at the end of the contractual period in accordance with the terms of the contracts. Such investments are stated at cost less accumulated amortisation, computed to write off the cost, less any residual value, of the contractual joint ventures over the underlying contract terms, and impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries and associates represents the excess of the cost of the acquisition over the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition.

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of 28 years.

SSAP 30 "Business combinations" was adopted as at 1 January 2001. Prior to that date, goodwill arising on acquisitions was eliminated against consolidated capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such goodwill to remain eliminated against consolidated capital reserve. Goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 goodwill accounting policy above.

Notes to Financial Statements (continued)

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Goodwill (continued)

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of goodwill which remains unamortised and any relevant consolidated capital reserve, as appropriate. Any attributable goodwill previously eliminated against consolidated capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

The carrying amount of goodwill, including goodwill remaining eliminated against consolidated capital reserve, is reviewed annually and written down for impairment when it is considered necessary. A previously recognised impairment loss for goodwill is not reversed unless the impairment loss was caused by a specific external event of an exceptional nature that was not expected to recur, and subsequent external events have occurred which have reversed the effect of that event.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries and associates represents the excess of the Group's share of the fair values of the identifiable assets and liabilities acquired as at the date of acquisition over the cost of the acquisition.

To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the acquisition plan and that can be measured reliably, but which do not represent identifiable liabilities as at the date of acquisition, that portion of negative goodwill is recognised as income in the consolidated profit and loss account when the future losses and expenses are recognised.

To the extent that negative goodwill does not relate to identifiable expected future losses and expenses as at the date of acquisition, negative goodwill to the extent of fair values of the acquired non-monetary assets is recognised in the consolidated profit and loss account on a systematic basis over the remaining average useful life of the acquired depreciable/amortisable assets. The amount of any negative goodwill in excess of the fair values of the acquired non-monetary assets is recognised as income immediately.

In the case of associates, any negative goodwill not yet recognised in the consolidated profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

Notes to Financial Statements (continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Negative goodwill (continued)

SSAP 30 “Business combinations” was adopted as at 1 January 2001. Prior to that date, negative goodwill arising on acquisitions was credited to the consolidated capital reserve in the year of acquisition. On the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted such negative goodwill to remain credited to the consolidated capital reserve. Negative goodwill on acquisitions subsequent to 1 January 2001 is treated according to the SSAP 30 negative goodwill accounting policy above.

On disposal of subsidiaries or associates, the gain or loss on disposal is calculated by reference to the net assets at the date of disposal, including the attributable amount of negative goodwill which has not been recognised in the consolidated profit and loss account and any relevant consolidated reserves as appropriate. Any attributable negative goodwill previously credited to the consolidated capital reserve at the time of acquisition is written back and included in the calculation of the gain or loss on disposal.

Related parties

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. Related parties may be individuals or corporate entities.

Impairment of assets

An assessment is made at each balance sheet date of whether there is any indication of impairment of any asset, or whether there is any indication that an impairment loss previously recognised for an asset in prior years may no longer exist or may have decreased. If any such indication exists, the asset’s recoverable amount is estimated. An asset’s recoverable amount is calculated as the higher of the asset’s value in use or its net selling price.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. An impairment loss is charged to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Notes to Financial Statements (continued)

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of assets (continued)

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount of an asset, however not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years.

A reversal of an impairment loss is credited to the profit and loss account in the period in which it arises, unless the asset is carried at a revalued amount, when the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Fixed assets and depreciation

Fixed assets, other than construction in progress and investment and hotel properties, are stated at cost less accumulated depreciation and any impairment losses. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the fixed asset, the expenditure is capitalised as an additional cost of that asset.

Depreciation is calculated on the straight-line basis to write off the cost of each fixed asset over its estimated useful life, after taking into account its estimated residual value. The principal annual rates used for this purpose are as follows:

Freehold land	Nil
Leasehold land held under long and medium term leases	Over the lease terms
Buildings	2%–20%
Tunnels, dams, water mains and reservoir	3.3%–10%
Plant and machinery	4%–25%
Furniture, fixtures and equipment	4%–32%
Leasehold improvements	Over the lease terms
Motor vehicles	6%–30%
Toll road	3.6%

Notes to Financial Statements (continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation (continued)

The directors have reassessed the estimated useful lives of certain plant, machinery and equipment, taking into account of current business environment and conditions, and the expected pattern of economic benefits from these assets, and have revised the estimated useful lives of these assets from 10 years to 15 years. These revised accounting estimates have been adopted prospectively from 1 January 2002. The effects of this change in accounting estimates are a decrease in depreciation charge and an increase in net profit attributable to shareholders by HK\$18,677,000 and HK\$10,859,000, respectively.

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

Construction in progress represents building and plant and machinery under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress is reclassified to the appropriate category of fixed assets when completed and ready for use.

Hotel properties

Hotel properties are stated at their open market values, based on their existing use, on the basis of annual professional valuations. Movements in the values of the hotel properties are dealt with in the hotel property revaluation reserve, on an individual basis, unless the applicable reserve balance is exhausted, in which case the decrease is charged to the profit and loss account as incurred. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

It is the Group's policy to maintain the hotel properties in such condition that their residual values are not currently diminished by the passage of time. The related maintenance and repairs expenditure is charged to the profit and loss account in the year in which it is incurred. The costs of significant improvements are capitalised. Accordingly, the directors consider that depreciation is not necessary due to the Group's ability to maintain or increase the hotel properties' residual values.

Upon the disposal of a hotel property, the relevant portion of the hotel property revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Notes to Financial Statements (continued)

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year, except where the unexpired term of the lease is 20 years or less, in which case depreciation is provided on the then carrying amount over the remaining term of the lease.

Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Intangible assets

Intangible assets include an operating right and trademarks.

Operating right

The operating right represents the right to supply natural water to Hong Kong, Shenzhen and Dongguan in Mainland China for a period of 30 years commencing from 18 August 2000. The purchased operating right is stated at cost less accumulated amortisation and impairment. Amortisation is charged to the profit and loss account on the straight-line basis over a period of 30 years.

Trademarks

Trademarks are stated at their acquisition cost less accumulated amortisation and any impairment losses. Amortisation is charged to the profit and loss account on the straight-line basis over a period of 5 years. Expenditure incurred for the renewal of trademarks is charged to the profit and loss account in the period in which it is incurred.

Notes to Financial Statements (continued)

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets and rental receivable under the operating leases are credited to the profit and loss account on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under the operating leases are charged to the profit and loss account on the straight-line basis over the lease terms.

Other financial assets

Other financial assets include investment securities and other investments.

Investment securities

Investment securities in listed and unlisted equity securities, intended to be held for a continuing strategic or long term purpose, are stated at cost less any impairment losses, on an individual investment basis.

When impairments have occurred, the carrying amounts of the securities are reduced to their fair values, as estimated by the directors, and the amounts of the impairments are charged to the profit and loss account for the period in which they arise. When the circumstances and events which led to the impairments cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amounts of the impairments previously charged are credited to the profit and loss account to the extent of the amounts previously charged.

Other investments

Other investments comprising those securities which are not classified as investment securities are stated at their fair values at the balance sheet date on an individual investment basis.

The fair values of such listed securities are their quoted market prices at the balance sheet date whereas the fair values of such unlisted securities are estimated by the directors.

The gains or losses arising from changes in the fair values of such securities are credited or charged to the profit and loss account in the period in which they arise.

Notes to Financial Statements (continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Other investments (continued)

The profit or loss on disposal of investment securities and other investments is accounted for in the period in which the disposal occurs as the difference between the net sales proceeds and the carrying amount of the investment.

Other long term assets

Other long term assets include prepayment for land use right, prepaid rental, reusable packaging materials and deferred expenses.

The prepayment for land use right will be transferred to fixed assets upon the completion of the Phase IV Renovation Project (as referred to in note 24(a)) and the transfer of the title of the land use right to the Group. The prepayment for land use right is stated at cost less impairment losses. Depreciation on land use right will commence upon the completion of the Phase IV Renovation Project on the straight-line basis over the period of grant or 30 years, whichever is shorter.

Prepaid rental is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit and loss account on the straight-line basis over the period of the respective leases.

Reusable packaging materials currently in use are stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the profit and loss account on the straight-line basis over a period of three years.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and, in the case of work in progress and manufactured finished goods, comprises direct materials, direct labour, and an appropriate portion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Properties under development

Properties under development are stated at cost less impairment losses.

Notes to Financial Statements (continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction/installation contracts

Construction/installation revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Construction/installation costs incurred comprise direct materials, the costs of subcontracting, direct labour, interest charges and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction/installation contracts is recognised on the percentage of completion method, measured by reference to the costs incurred to date as compared to the total costs to be incurred under the construction/installation contract and/or independent quantity surveyor's assessment reports.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where progress billings exceed construction/installation costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Where construction/installation costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

Prior to the adoption of the revised SSAP 15 during the year, as explained in note 2 to the financial statements, cash equivalents in the consolidated cash flow statement also included time deposit and balances, with original maturity of less than three months when acquired, pledged as security for banking facilities. This change in definition has resulted in a prior year adjustment relating to the pledged time deposits and balances, further details of which are included in note 46(a) to the financial statements.

For the purpose of the balance sheet, cash and cash equivalents bank balances comprise cash on hand and at banks, including time deposits, which are not restricted as to use.

Notes to Financial Statements (continued)

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the balance sheet date of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit and loss account.

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. 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. The 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. During the year, certain borrowing costs were included in prepaid construction cost, details of which are set out in note 24(c) to the financial statements.

Foreign currencies

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

Notes to Financial Statements (continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies (continued)

On consolidation, the financial statements of subsidiaries, jointly-controlled entity and associates operating in Mainland China and overseas are translated into Hong Kong dollars using the net investment method. The profit and loss accounts of overseas subsidiaries, jointly-controlled entity and associates are translated to Hong Kong dollars at the weighted average exchange rates for the year, and their balance sheets are translated to Hong Kong dollars at the exchange rates at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

For the purpose of the consolidated cash flow statement, the cash flows of subsidiaries, jointly-controlled entity and associates operating in Mainland China and overseas are translated to Hong Kong dollars at the exchange rates at the dates of the cash flows. Frequently recurring cash flows of subsidiaries, jointly-controlled entity and associates operating in Mainland China and overseas which arise throughout the year are translated to Hong Kong dollars at the weighted average exchange rates for the year.

Prior to the adoption of the revised SSAPs 11 and 15 during the year, as explained in note 2 to the financial statements, the profit and loss accounts and cash flow statements of subsidiaries, jointly-controlled entity and associates operating in Mainland China and overseas were translated to Hong Kong dollars at the exchange rates at the balance sheet date. As it is impractical to reasonably determine the prior year adjustment, these changes in accounting policy are applied prospectively in accordance with SSAP 2. The adoption of the revised SSAP 11 has had no material effect on the financial statements, while the adoption of the revised SSAP 15 has resulted in changes to the layout of the consolidated cash flow statement, further details of which are included in notes 2 and 46(a) to the financial statements.

Notes to Financial Statements (continued)

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee benefits

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for all of its eligible employees. Contributions are made based on a percentage of the employees’ basic salaries/relevant income and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer mandatory contributions vest fully with the employees when contributed into the MPF Scheme, except for the Group’s employer voluntary contributions, which are proportionately refunded to the Group upon the employee’s termination of services in accordance with the vesting scales of the MPF Scheme.

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in central pension schemes (the “CP Schemes”) operated by respective local municipal government. These subsidiaries are required to contribute certain percentage of their covered payroll to the CP Schemes to fund their benefits. The only obligation of the Group with respect to the CP Schemes is to pay the ongoing required contributions under the CP Schemes. Contributions under the CP Schemes are charged to the profit and loss account as they become payable in accordance with the rules of the CP Schemes.

Share option schemes

The Company and its listed subsidiaries operate share option schemes for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations. The financial impact of share options granted under these share option schemes is not recorded in the Company’s or the Group’s balance sheet until such time as the options are exercised, and no charge is recorded in the profit and loss account or balance sheet for their cost. Upon the exercise of share options, the resulting shares issued are recorded by the Company and these listed subsidiaries as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company and these listed subsidiaries in their share premium accounts. Options which are cancelled prior to their exercise dates, or which lapse, are deleted from their registers of outstanding options.

Notes to Financial Statements (continued)

31 December 2002

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) from the sale of goods, properties, fixed assets and investments (collectively “goods and investments”), when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods and investments sold;
- (b) from the sale of electricity, based on the consumption recorded by meter reading during the year;
- (c) from the sale of water to the purchasers based on the actual volume of water supplied, or when the actual volume of water supplied to Hong Kong is less than the contracted volume of water supplied, revenue is recognised according to the contracted volume;
- (d) from the rendering of hotel, tour and other services, based on the period in which such services are rendered;
- (e) from construction/installation contracts, based on the percentage of completion basis, as further explained in the accounting policy for “Construction/installation contracts”;
- (f) income from joint ventures, when the Group has been guaranteed a minimum rate of return on its investments in joint ventures, is accrued at the minimum rate of return, and any return in excess of the minimum is recognised in the year in which it is received, or has become receivable;
- (g) rental income, on a time proportion basis over the lease terms;
- (h) toll revenue, net of business tax, on a cash receipt basis;
- (i) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (j) dividends and investment income, when the shareholders’ right to receive payment has been established.

Notes to Financial Statements (continued)

31 December 2002

4. TURNOVER

Continuing:

Turnover from continuing operations represents interest income from the provision of credit facilities to customers; proceeds from the sale of investments; rental income; revenue from hotel ownership and operations; the invoiced value of electricity and water sold; income from sales of properties, investment properties and properties under development; the gross invoiced revenue arising from the sale of department stores; commission income; agency and consultancy fees; and toll revenue, after elimination of all significant intra-group transactions.

Discontinuing:

Turnover from discontinuing operations represents net invoiced value of manufactured products sold in the Malting Operation, Tannery Operation and Brewing Operation; income generated from the Tours Operation; and the gross invoiced revenue arising from general merchandise trading in the Merchandise Trading Operation, net of goods returned, trade discounts and value-added tax, after elimination of all significant intra-group transactions.

Discontinued:

Turnover from discontinued operations includes the value of revenue from the Curtain Wall Operation; revenue from the Leather Ware Products Operation and the Packaging Materials Operation, net of goods returned, trade discounts and value-added tax, after elimination of all significant intra-group transactions.

Notes to Financial Statements (continued)

31 December 2002

4. TURNOVER (continued)

Revenue from the following activities has been included in turnover.

	2002	2001
	HK\$'000	HK\$'000
Turnover		
<i>Continuing:</i>		
Sale of goods	736,032	680,631
Sale of water and electricity	3,296,348	3,305,624
Sale of properties, investment properties and properties under development	90,148	389,590
Hotel and rental income	513,580	550,085
Rendering of other services	15,161	21,881
Toll revenue	8,587	7,786
Investment, interest and dividend income	100	1,395
	4,659,956	4,956,992
<i>Discontinuing:</i>		
Sales of goods	1,780,071	1,930,938
Tours service income	271,031	323,245
	2,051,102	2,254,183
<i>Discontinued:</i>		
Sales of goods	25,967	53,357
Value of construction/installation work performed	—	6,986
	25,967	60,343
	6,737,025	7,271,518

Notes to Financial Statements (continued)

31 December 2002

5. SEGMENT INFORMATION

Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are organised and managed separately, according to the nature of products and services provided, with each segment representing a strategic business unit which offers different products and serves different markets:

Continuing:

- (i) The property investment segment mainly invests in residential and commercial properties and other properties in Hong Kong, Mainland China and Thailand which are held for rental income purposes. It also performs property management services, which provide management and security services to residential and commercial properties and other properties;
- (ii) The property development segment engages in residential and shopping arcades in Mainland China and Hong Kong;
- (iii) The infrastructure segment invests in toll roads and toll bridges in Mainland China;
- (iv) The water supply segment operates a water supply project in Mainland China supplying natural water to Hong Kong, Dongguan and Shenzhen;
- (v) The power supply segment operates coal-fire power plants supplying electricity in Guangdong Province;
- (vi) The hotel operations segment operates the Group's hotels in Hong Kong and Mainland China;
- (vii) The department stores segment operates department stores in Mainland China;
- (viii) The money lending segment provides credit facilities in Hong Kong; and
- (ix) Corporate and other segment mainly engages in providing corporate services to other segments.

Notes to Financial Statements (continued)

31 December 2002

5. SEGMENT INFORMATION (continued)

Discontinuing:

- (i) The tours and tour transportation services segment organises tours in Hong Kong and Mainland China and provides transportation services in Hong Kong and between Hong Kong and Guangdong Province. This segment will be discontinued upon the completion of the Disposal Transaction as set out in note 6(a) to the financial statements;
- (ii) The beer manufacturing, distribution and sales segment produces beer in Shenzhen and distributes and sells it in both Mainland China and Hong Kong. This segment will be discontinued upon the completion of the Disposal Transaction as set out in note 6(a) to the financial statements;
- (iii) The malting manufacturing, distribution and sales segment produces malts for use in the brewing production in Mainland China. This segment will be discontinued upon the completion of the Disposal Transaction as set out in note 6(a) to the financial statements;
- (iv) The leather processing segment processes raw leather to finished leather for use in the leather ware products production industry. This segment will be discontinued upon the completion of the Disposal Transaction as set out in note 6(a) to the financial statements; and
- (v) The merchandise trading segment purchases commodities and sells to customers. This segment will be discontinued upon the completion of the Disposal Transaction as set out in note 6(a) to the financial statements.

Discontinued:

- (i) The leather ware products manufacturing, distribution and sales segment produces leather ware products in Mainland China and sells them mainly in Hong Kong. This segment was discontinued following the Group's disposal of its entire 60% interest in Alpha Universal during the year as set out in note 6(b) to the financial statements;
- (ii) The packaging materials manufacturing, distribution and sales segment produces and distributes packaging materials in Mainland China. This segment was discontinued following the Group's termination of the operation of Xuzhou Gangwei during the year as set out in note 6(c) to the financial statements; and
- (iii) The curtain wall installation segment, designed, supplied and installed curtain walls and aluminium windows in Hong Kong and Mainland China. This segment was discontinued following the Group's disposal of its entire 56.16% in GD Building in the prior year as set out in note 6(d) to the financial statements.

Notes to Financial Statements (continued)

31 December 2002

5. SEGMENT INFORMATION (continued)

(a) Business segments

The following tables present revenue, profit/(loss) and certain asset, liability and expenditure information for the Group's business segments.

Group

	Continuing									
	Property investment		Property development		Infrastructure		Water supply		Power supply	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:										
Sales to external customers	300,965	302,495	90,148	391,292	8,587	7,785	2,831,978	2,727,623	464,370	578,001
Inter-segment sales	78,614	72,625	—	—	—	—	—	—	—	—
Other revenue from inter-segment (Note)	—	454	—	—	—	—	—	—	—	—
Other revenue from external sources (Note)	2,835	1,953	4,031	1,923	37,166	163	1,446	—	—	12,472
Exchange gains/(losses), net	937	26	—	209	71	558	—	—	2,401	—
Total	383,351	377,553	94,179	393,424	45,824	8,506	2,833,424	2,727,623	466,771	590,473
Segment results	142,165	199,462	(26,830)	76,101	35,699	(9,437)	1,621,343	1,454,411	44,260	211,879
Share of profits less losses of:										
A jointly-controlled entity	—	—	—	—	62,320	39,320	—	—	—	—
Associates	—	(135)	4,502	2	52,976	—	—	—	49,992	26,539

Note: Excluding exchange gains/(losses), net

Notes to Financial Statements (continued)

31 December 2002

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Continuing									
	Hotel operations		Department stores		Money lending		Corporate and other		Sub-total	
	2002 HK\$'000	2001 HK\$'000	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:										
Sales to external customers	212,615	248,580	736,032	673,311	100	1,395	15,161	26,510	4,659,956	4,956,992
Inter-segment sales	1,675	11,339	—	—	—	—	—	—	80,289	83,964
Other revenue from inter-segment (Note)	—	—	—	—	—	—	652	6,914	652	7,368
Other revenue from external sources (Note)	3,186	1,694	5,723	2,189	—	409	801	4,668	55,188	25,471
Exchange gains/(losses), net	856	(1,646)	2	—	—	23	(2,472)	3,268	1,795	2,438
Total	218,332	259,967	741,757	675,500	100	1,827	14,142	41,360	4,797,880	5,076,233
Segment results	73,432	34,527	27,690	16,328	(911)	(26,481)	(91,578)	(42,862)	1,825,270	1,913,928
Share of profits less losses of:										
A jointly-controlled entity	—	—	—	—	—	—	—	—	62,320	39,320
Associates	—	—	6,332	13,511	—	—	—	—	113,802	39,917

Note: Excluding exchange gains/(losses), net

Notes to Financial Statements (continued)

31 December 2002

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Discontinuing											
	Tours and tour transportation services		Beer manufacturing, distribution and sales		Malting manufacturing distribution and sales		Leather processing		Merchandise trading		Sub-total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	271,031	323,245	593,052	536,603	683,931	682,764	412,759	470,311	90,329	241,260	2,051,102	2,254,183
Inter-segment sales	—	—	—	—	66,505	58,165	—	—	—	—	66,505	58,165
Other revenue from inter-segment (Note)	—	—	—	764	—	—	—	1,170	—	—	—	1,934
Other revenue from external sources (Note)	7,838	6,029	32,773	41,918	6,404	132	1,121	1,126	3,900	246	52,036	49,451
Exchange gains/(losses), net	24	(201)	(387)	(217)	(345)	2,038	(222)	5,141	(297)	(243)	(1,227)	6,518
Total	278,893	329,073	625,438	579,068	756,495	743,099	413,658	477,748	93,932	241,263	2,168,416	2,370,251
Segment results	(9,160)	30,590	103,682	69,766	67,712	47,551	(39,612)	(10,164)	(24,562)	12,557	98,060	150,300
Share of profits less losses of:												
A jointly-controlled entity	—	—	—	—	—	—	—	—	—	—	—	—
Associates	1,843	1,857	(4,437)	(13,424)	—	—	—	—	—	(18)	(2,594)	(11,585)

Note: Excluding exchange gains/(losses), net

Notes to Financial Statements (continued)

31 December 2002

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Discontinued						Elimination				Consolidated total	
	Leather ware products manufacturing, distribution and sales		Packaging materials manufacturing, distribution and sales		Curtain wall installation		Sub-total					
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment revenue:												
Sales to external customers	17,665	31,358	8,302	21,999	—	6,986	25,967	60,343	—	—	6,737,025	7,271,518
Inter-segment sales	—	—	—	—	—	—	—	—	(146,794)	(142,129)	—	—
Other revenue from inter-segment (Note)	—	—	—	—	—	—	—	—	(652)	(9,302)	—	—
Other revenue from external sources (Note)	2,308	2,391	—	—	—	109	2,308	2,500	—	—	109,532	77,422
Exchange gains/(losses), net	(42)	(163)	—	—	—	—	(42)	(163)	—	—	526	8,793
Total	19,931	33,586	8,302	21,999	—	7,095	28,233	62,680	(147,446)	(151,431)	6,847,083	7,357,733
Segment results	(439)	(26,745)	(89)	(9,524)	—	(4,968)	(528)	(41,237)	—	27,331	1,922,802	2,050,322
Interest income and unallocated gains											39,499	121,357
Unallocated expenses											(111,568)	(12,511)
Profit from operating activities											1,850,733	2,159,168
Finance costs											(1,494,119)	(1,566,474)
Share of profits less losses of:												
A jointly-controlled entity	—	—	—	—	—	—	—	—	—	—	62,320	39,320
Associates	—	—	—	—	—	—	—	—	—	—	111,208	28,332
Profit before tax											530,142	660,346
Tax											(113,292)	(130,650)
Profit before minority interests											416,850	529,696
Minority interests											(135,742)	(244,154)
Net profit from ordinary activities attributable to shareholders											281,108	285,542

Note: Excluding exchange gains/(losses), net

Notes to Financial Statements (continued)

31 December 2002

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Continuing									
	Property investment		Property development		Infrastructure		Water supply		Power supply	
	2002 HK\$'000	2001 HK\$'000	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 assets	3,553,361	3,674,270	80,767	216,316	205,934	220,560	21,174,115	21,517,287	610,315	790,955
Interests in associates	—	—	89,852	89,516	—	197,213	—	—	297,705	275,151
Interest in a jointly-controlled entity	—	—	—	—	1,019,064	972,344	—	—	—	—
Segment Liabilities	394,315	448,712	38,191	59,064	79,693	95,735	164,728	280,979	264,572	264,831
Other segment information:										
Depreciation and amortisation	6,388	7,431	150	4,888	7,790	8,098	779,981	786,695	44,241	45,038
Unallocated amounts										
Impairment losses recognised in the profit and loss account	4,712	5,624	28,800	22,682	—	—	—	—	—	—
Unallocated amounts										
Impairment losses reversed in the profit and loss account	—	—	—	(21,000)	—	—	—	—	—	—
Unallocated amounts										
Other non-cash expenses	89,432	68,129	—	—	—	—	—	—	—	—
Capital expenditure	131	7,038	—	730	—	1,066	604,042	513,439	36,319	28,086

Notes to Financial Statements (continued)

31 December 2002

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Continuing									
	Hotel operations		Department stores		Money lending		Corporate and other		Sub-total	
	2002 HK\$'000	2001 HK\$'000	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 assets	1,760,717	1,812,147	136,229	121,075	920	1,486	503,112	245,351	28,025,470	28,599,447
Interests in associates	—	—	25,153	21,988	—	—	—	3,647	412,710	587,515
Interest in a jointly-controlled entity	—	—	—	—	—	—	—	—	1,019,064	972,344
Segment Liabilities	38,708	43,655	177,445	119,879	678	316	74,154	60,237	1,232,484	1,373,408
Other segment information:										
Depreciation and amortisation	14,134	14,436	25,493	8,645	—	16	9,039	16,245	887,216	891,492
Unallocated amounts	—	—	—	—	—	—	—	—	—	—
Impairment losses recognised in the profit and loss account	—	1,640	—	—	—	—	—	247	33,512	30,193
Unallocated amounts	—	—	—	—	—	—	—	—	—	—
Impairment losses reversed in the profit and loss account	—	—	—	—	—	—	—	(3,761)	—	(24,761)
Unallocated amounts	—	—	—	—	—	—	—	—	—	—
Other non-cash expenses	—	5,518	—	8,925	—	—	7,421	4,360	96,853	86,932
Capital expenditure	10,913	18,245	2,613	7,792	—	—	15,245	2,624	669,263	579,020

Notes to Financial Statements (continued)

31 December 2002

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Discontinuing											
	Tours and tour transportation services		Beer manufacturing, distribution and sales		Malting manufacturing distribution and sales		Leather processing		Merchandise trading		Sub-total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	123,738	227,669	1,409,329	1,302,148	736,086	895,220	414,904	380,977	2,964	111,621	2,687,021	2,917,635
Interests in associates	10,907	10,651	—	42,997	—	—	—	—	—	—	10,907	53,648
Interest in a jointly-controlled entity	—	—	—	—	—	—	—	—	—	—	—	—
Segment Liabilities	131,128	144,536	220,283	209,080	168,148	181,965	79,625	42,376	2,475	7,298	601,659	585,255
Other segment information:												
Depreciation and amortisation	11,630	14,573	88,963	123,362	38,792	40,788	15,294	17,615	46	240	154,725	196,578
Unallocated amounts												
Impairment losses recognised in the profit and loss account	46,992	—	—	5,600	2,146	3,704	1,493	22,991	—	—	50,631	32,295
Unallocated amounts												
Impairment losses reversed in the profit and loss account	—	—	—	—	—	—	—	—	—	—	—	—
Unallocated amounts												
Other non-cash expenses	—	3,294	—	2,672	—	1,071	11,930	11,796	29,169	3	41,099	18,836
Capital expenditure	1,802	9,336	26,073	9,800	8,405	3,131	15,039	9,745	—	13	51,319	32,025

Notes to Financial Statements (continued)

31 December 2002

5. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Discontinued						Elimination				Consolidated total	
	Leather ware products manufacturing, distribution and sales		Packaging materials manufacturing, distribution and sales		Curtain wall installation		Sub-total					
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	—	25,682	—	7,902	—	—	—	33,584	(10,132)	(18,634)	30,702,359	31,532,032
Interests in associates	—	—	—	—	—	—	—	—	—	—	423,617	641,163
Interest in a jointly-controlled entity	—	—	—	—	—	—	—	—	—	—	1,019,064	972,344
Unallocated assets											101,126	230,637
Bank overdrafts included in segment assets											—	2,356
Total assets											32,246,166	33,378,532
Segment Liabilities	—	10,760	—	1,734	—	—	—	12,494	(10,132)	(18,634)	1,824,011	1,952,523
Unallocated liabilities											18,465,947	19,636,864
Bank overdrafts included in segment assets											—	2,356
Total liabilities											20,289,958	21,591,743
Other segment information:												
Depreciation and amortisation	1,058	3,401	—	670	—	291	1,058	4,362	—	—	1,042,999	1,092,432
Unallocated amounts											—	119
											1,042,999	1,092,551
Impairment losses recognised in the profit and loss account	—	11,225	—	3,733	—	—	—	14,958	—	—	84,143	77,446
Unallocated amounts											112,143	22,850
											196,286	100,296
Impairment losses reversed in the profit and loss account	—	—	—	—	—	—	—	—	—	—	—	(24,761)
Unallocated amounts											—	(19,140)
											—	(43,901)
Other non-cash expenses	—	3,671	713	2,767	—	—	713	6,438	—	—	138,665	112,206
Capital expenditure	342	989	4	174	—	—	346	1,163	—	—	720,928	612,208

Notes to Financial Statements (continued)

31 December 2002

5. SEGMENT INFORMATION (continued)**(b) Geographical segments**

The following tables present revenue, profit/(loss) and certain asset and expenditure information for the Group's geographical segments.

Group

	Hong Kong		Mainland China		Other		Eliminations		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	2002 HK\$'000	2001 HK\$'000
Segment revenue:										
Sales to external customers	476,235	608,580	6,246,485	6,661,172	14,305	1,766	—	—	6,737,025	7,271,518
Other revenue from external customers (Note)	8,557	8,803	104,251	63,964	3,917	4,655	—	—	116,725	77,422
Exchange gains/(losses), net	(2,762)	752	3,498	4,815	(210)	3,226	—	—	526	8,793
Revenue from external customers	482,030	618,135	6,354,234	6,729,951	18,012	9,647	—	—	6,854,276	7,357,733
Other segment information:										
Segment assets	2,523,300	2,715,171	28,087,858	28,796,792	19,062	22,943	(3,756)	(2,874)	30,626,464	31,532,032
Capital expenditure	6,071	24,852	714,857	586,517	—	839	—	—	720,928	612,208

Note: Excluding exchange gains/(losses), net

Notes to Financial Statements (continued)

31 December 2002

6. DISCONTINUING/DISCONTINUED OPERATIONS

(a) Disposal of the Group's entire interest in certain assets

As described in note 1 to the financial statements, subsequent to the balance sheet date on 26 February 2003, the Company publicly announced that it entered into a Disposal Agreement with GDH Limited, under the Disposal Transaction, the Group will sell the following assets to GDH Limited for a total consideration of HK\$1,451,226,000.

- The Group's entire 900,000,000 shares in issued capital of Guangdong Brewery Holdings Limited ("GD Brewery"), GD Brewery and its subsidiaries carried out the Group's Brewing Operation at the balance sheet date;
- The Group's entire 375,100,000 shares in the issued capital of Guangdong Tannery Limited ("GD Tannery"), GD Tannery and its subsidiaries carried out the Group's Tannery Operation and Merchandise Trading Operation at the balance sheet date;
- The Group's entire 100% interest in Supertime Development Limited ("Supertime"), Supertime and its subsidiaries carried out the Group's Malting Operation at the balance sheet date;
- The Group's entire 100% interest in Guangdong (H.K.) Tours Company Limited ("GD Tours"), GD Tours and its subsidiaries carried out the Group's Tours Operation at the balance sheet date;
- The Group's entire 24.8% interests in 廣州市番禺粵海房地產有限公司 (Guangzhou Panyu Yue Hai Real Estate Limited) ("Guangzhou Panyu"), Guangzhou Panyu and its subsidiary operates a property development project in Guangzhou.
- Net inter-company debts, being the amounts outstanding at the date of completion of the Disposal Transaction, owed to the Company and certain of its subsidiaries by GD Tannery, Supertime, GD Tours and certain of their respective subsidiaries.

Pursuant to the Disposal Agreement, GDH Limited agreed to procure the Company's release from its guarantee obligations in respect of credit facilities totalling HK\$67,915,000 extended by financial creditors to GD Tours and Prospect Top Developments Limited, a 51% owned subsidiary of Supertime.

The total consideration will be satisfied by (i) cash payment of HK\$1,036,190,000 and (ii) an undertaking from GDH Limited to release the Company on or by the date of completion from repayment obligations in respect of HK\$415,036,000 of debt owed by the Company to GDH Limited.

Notes to Financial Statements (continued)

31 December 2002

6. DISCONTINUING/DISCONTINUED OPERATIONS (continued)

(a) Disposal of the Group's entire interest in certain assets (continued)

Completion of the Disposal Agreement is conditional upon the satisfaction of all conditions precedent set out therein and is expected to take place on or before 30 April 2003, but will in any event be no later than 31 December 2003 (unless extended by the Company and GDH Limited by mutual agreement). The Disposal Transaction was approved by independent shareholders of the Company in its extraordinary general meeting held on 31 March 2003.

Upon the completion of the Disposal Transaction, the Group will discontinue its Brewing Operation, Tannery Operation, Merchandise Trading Operation, Malting Operation, and Tours Operation.

(b) Disposal of the Group's entire 60% interest in Alpha Universal Limited ("Alpha Universal")

In June 2002, the Company entered into a conditional sales and purchases agreement with an independent third party for the disposal of the Group's entire 60% interest in Alpha Universal and its subsidiaries (the "Alpha Universal Group") at HK\$6,596,000 (net of expenses). The Alpha Universal Group principally operated the Group's leather ware products manufacture and distribution business.

In July 2002, the Group's disposal of its entire 60% interest in the Alpha Universal Group was completed and resulted in a gain of HK\$636,000 in the current year. Upon the completion of this transaction, Alpha Universal ceased to be a subsidiary of the Company and the Group's leather ware products manufacture and distribution business was then discontinued.

(c) Discontinued operation of Xuzhou Gangwei Colour Package Co., Ltd ("Xuzhou Gangwei")

In June 2002, Xuzhou Gangwei negotiated with its staff for the compensation payments in respect of the decision of the board of directors of Xuzhou Gangwei to discontinue its packaging materials manufacture and distribution operations and lease all its plant and machinery to an independent third party. Xuzhou Gangwei commenced to lease its plant and machinery on 30 June 2002 and the discontinuation of packaging materials manufacture and distribution operation was then completed.

The discontinuation of the packaging materials manufacture and distribution business is consistent with the GD Tannery group's strategy to concentrate on its leather processing business.

In connection with the decision to discontinue the packaging materials manufacture and distribution business, the Group incurred compensation payments to staff of HK\$552,000.

Notes to Financial Statements (continued)

31 December 2002

6. DISCONTINUING/DISCONTINUED OPERATIONS (continued)**(d) Disposal of the Group's entire 57.16% interest in Guangdong Building Industries Limited ("GD Building")**

On 10 February 2001, the Company entered into a conditional sales and purchase agreement (the "Building Agreement") with Hi Sun Limited, an independent third party, for the disposal of the Company's entire 57.16% interest in GD Building, which used to operate the Group's Curtain Wall Operation, for a cash consideration of HK\$31,483,000. Pursuant to the Building Agreement, the Group agreed to waive the net amounts due from the GD Building group which was HK\$358,000,000 (including certain bank loans of the GD Building group of HK\$185,000,000 taken up by the Company by means of the issuance of notes payable to the relevant bank creditors) as at 3 March 2001 and to assume guarantees given to banks in respect of performance bonds issued for Full Arts Metal Works Limited, a wholly-owned subsidiary of GD Building, of HK\$19,819,000 as at 22 December 2000. The guarantees were released in the current year.

On 3 March 2001, the Building Agreement was completed and GD Building ceased to be a subsidiary of the Company, and the Group's Curtain Wall Operation was then discontinued. The gain of HK\$25,534,000 on disposal of GD Building was recognised in the prior year.

The carrying amounts of the total assets and liabilities of the discontinuing operations at the balance sheet date are as follows:

	Brewing Operation		Tannery Operation		Merchandise Trading Operation		Malting Operation		Tours Operation		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	1,409,329	1,345,145	412,865	378,980	1,219	109,694	736,086	886,608	134,645	238,320	2,694,144	2,958,747
Total liabilities	(221,457)	(207,494)	(138,895)	(121,428)	(605)	(78,691)	(316,831)	(486,117)	(172,523)	(374,772)	(850,311)	(1,268,502)
Net assets	1,187,872	1,137,651	273,970	257,552	614	31,003	419,255	400,491	(37,878)	(136,452)	1,843,833	1,690,245

Notes to Financial Statements (continued)

31 December 2002

6. DISCONTINUING/DISCONTINUED OPERATIONS (continued)

The net cash flows attributable to the discontinuing operations for the year ended 31 December 2002 are as follows:

	Brewing Operation		Tannery Operation		Merchandise Trading Operation		Malting Operation		Tours Operation		Total	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Operating	182,264	183,186	19,682	5,419	(22,082)	63,799	160,645	(28,227)	53,403	60,780	393,912	284,957
Investing	(6,036)	(8,847)	(10,333)	(9,568)	1,778	152	(8,258)	(1,109)	(553)	(2,625)	(23,402)	(21,997)
Financing	—	(266,737)	(47)	7,261	(31,275)	(61,220)	(160,720)	(35,739)	(69,262)	(95,077)	(261,304)	(451,512)
Net cash inflows/ (outflows)	176,228	(92,398)	9,302	3,112	(51,579)	2,731	(8,333)	(65,075)	(16,412)	(36,922)	109,206	(188,552)

Notes to Financial Statements (continued)

31 December 2002

6. DISCONTINUING/DISCONTINUED OPERATIONS (continued)

The turnover, other revenue and gains, expenses, profit/(loss) before tax and tax attributable to the discontinuing operations for the year ended 31 December 2002 are as follows:

	Merchandise											
	Brewing Operation		Tannery Operation		Trading Operation		Malting Operation		Tours Operation		Total	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Turnover	593,052	536,603	412,759	470,311	90,329	241,260	683,931	682,764	271,031	323,245	2,051,102	2,254,183
Cost of sales	(351,680)	(329,363)	(416,233)	(430,140)	(84,761)	(222,744)	(560,662)	(569,851)	(227,360)	(198,931)	(1,640,696)	(1,751,029)
Gross Profit	241,372	207,240	(3,474)	40,171	5,568	18,516	123,269	112,913	43,671	124,314	410,406	503,154
Other revenue and gains	34,034	44,274	1,080	7,808	3,775	1,202	6,368	2,636	9,242	7,958	54,499	63,878
Selling and distribution costs	(133,960)	(130,457)	(2,318)	(2,635)	(311)	(671)	(34,131)	(28,604)	(4,794)	(6,758)	(175,514)	(169,125)
Administrative expenses	(36,504)	(44,097)	(12,036)	(26,886)	(4,252)	(7,004)	(25,082)	(34,046)	(47,907)	(59,427)	(125,781)	(171,460)
Other operating expenses, net	—	(5,600)	(22,685)	(28,252)	(29,169)	1,470	(2,342)	(4,882)	(7,992)	(24,495)	(62,188)	(61,759)
Profit/(Loss) from operating activities	104,942	71,360	(39,433)	(9,794)	(24,389)	13,513	68,082	48,017	(7,780)	41,592	101,422	164,688
Finance costs	—	(7,857)	(5,063)	(5,582)	(4,471)	(8,754)	(10,200)	(43,761)	(1,611)	(36,127)	(21,345)	(102,081)
Share of profits less losses of associates	(4,437)	(13,424)	—	—	—	(18)	—	—	2,016	—	(2,421)	(13,442)
Profit/(Loss) before tax	100,505	50,079	(44,496)	(15,376)	(28,860)	4,741	57,882	4,256	(7,375)	5,465	77,656	49,165
Tax	(11,329)	(12,067)	—	(8)	—	96	(5,190)	(1,420)	(715)	1,857	(17,234)	(11,542)
Profit/(Loss) before minority interests	89,176	38,012	(44,496)	(15,384)	(28,860)	4,837	52,692	2,836	(8,090)	7,322	60,422	37,623
Minority interests	(29,450)	(12,248)	—	—	—	—	(19,349)	(3,625)	(57)	(662)	(48,856)	(16,535)
Net profit/(loss) for the year	59,726	25,764	(44,496)	(15,384)	(28,860)	4,837	33,343	(789)	(8,147)	6,660	11,566	21,088

Notes to Financial Statements (continued)

31 December 2002

6. DISCONTINUING/DISCONTINUED OPERATIONS (continued)

The carrying amounts of the total assets and liabilities of the discontinued operations at the balance sheet date are as follows:

	Leather Ware		Packaging		Curtain Wall		Total	
	Products Operation		Materials Operation		Operation			
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Total assets	—	25,682	—	7,902	—	—	—	33,584
Total liabilities	—	(11,587)	—	(1,734)	—	—	—	(13,321)
Net assets	—	14,095	—	6,168	—	—	—	20,263

The net cash flows attributable to the discontinued operations for the year ended 31 December 2002 are as follows:

	Leather Ware		Packaging		Curtain Wall		Total	
	Products Operation		Materials Operation		Operation			
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Operating	(608)	(1,577)	(287)	(2,111)	—	(2,061)	(895)	(5,749)
Investing	(317)	(958)	154	(174)	—	565	(163)	(567)
Financing	—	—	—	—	—	258	—	258
Net cash inflows/(outflows)	(925)	(2,535)	(133)	(2,285)	—	(1,238)	(1,058)	(6,058)

Notes to Financial Statements (continued)

31 December 2002

6. DISCONTINUING/DISCONTINUED OPERATIONS (continued)

The turnover, other revenue and gains, expenses, profit/(loss) before tax and tax attributable to the discontinued operations for the year ended 31 December 2002 are as follows:

	Leather Ware Products Operation		Packaging Materials Operation		Curtain Wall Operation		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
Turnover	17,665	31,358	8,302	21,999	—	6,986	25,967	60,343
Cost of sales	(5,985)	(10,596)	(6,067)	(20,482)	—	(6,705)	(12,052)	(37,783)
Gross profit	11,680	20,762	2,235	1,517	—	281	13,915	22,560
Other revenue and gains	2,332	3,011	157	341	—	26,209	2,489	29,561
Selling and distribution costs	(7,259)	(12,176)	(832)	(2,036)	—	—	(8,091)	(14,212)
Administrative expenses	(7,144)	(14,550)	(760)	(1,842)	—	(5,359)	(7,904)	(21,751)
Other operating expenses, net	(24)	(45,091)	(732)	(7,163)	—	—	(756)	(52,254)
Profit/(Loss) from operating activities	(415)	(48,044)	68	(9,183)	—	21,131	(347)	(36,096)
Finance costs	(29)	(882)	—	—	—	(4,816)	(29)	(5,698)
Share of profits less losses of associates	—	—	—	—	—	—	—	—
Profit/(Loss) before tax	(444)	(48,926)	68	(9,183)	—	16,315	(376)	(41,794)
Tax	—	—	—	—	—	—	—	—
Profit/(Loss) before minority interests	(444)	(48,926)	68	(9,183)	—	16,315	(376)	(41,794)
Minority interests	177	5,575	—	—	—	150	177	5,725
Net Profit/(loss) for the year	(267)	(43,351)	68	(9,183)	—	16,465	(199)	(36,069)

Notes to Financial Statements (continued)

31 December 2002

7. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging:

	2002 HK\$'000	2001 HK\$'000
Cost of inventories sold	2,385,997	2,641,565
Depreciation	426,100	461,308
Amortisation of deferred expenses*	4,998	12,915
Amortisation of reusable packaging materials*	6,667	11,523
Amortisation of the operating right*	493,287	494,096
Amortisation of trademarks*	700	1,400
Amortisation of prepaid rental*	111,009	111,190
Minimum lease payments under operating leases:		
Land and buildings	16,916	15,462
Plant and machinery	—	589
	16,916	16,051
Auditors' remuneration	6,500	7,150
Staff costs (excluding directors' remuneration — Note 8)		
Wages and salaries	373,607	469,299
Pension scheme contributions	30,511	28,772
Less: Forfeited contributions	(943)	(1,109)
Net pension contributions [#]	29,568	27,663
	403,175	496,962

* These amortisations for the year are included in "Cost of sales" on the face of the consolidated profit and loss account.

[#] The amounts of forfeited pension scheme contributions available at the current and prior year ends to reduce contributions in future years are not significant.

Notes to Financial Statements (continued)

31 December 2002

7. PROFIT FROM OPERATING ACTIVITIES (continued)

	2002 HK\$'000	2001 HK\$'000
(Gains)/expenses included in other operating expenses, net:		
Amortisation of goodwill (Note 21)	238	119
Investment property revaluation deficit (Note 16)	89,432	68,129
Hotel property revaluation deficit/(surplus), net (Note 14)	(2,763)	4,196
Impairment of investment securities	1,890	932
Unrealised losses on revaluation of other investments	2,747	5,114
Impairment of trademarks	—	4,100
Impairment of properties under development (Note 15)	28,800	22,682
Reversal of impairment loss of properties under development (Note 15)	—	(21,000)
Impairment of investments in and loans to associates	—	11,224
Reversal of impairment loss of investment in an associate	—	(3,761)
Write-back of provision against an amount due from a fellow subsidiary	(3,207)	(8,000)
Impairment of fixed assets (Note 14)	55,343	39,440
Impairment of goodwill arising from acquisition of a subsidiary previously dealt with in reserves	—	21,918
Reversal of impairment loss of deconsolidated subsidiaries	—	(19,140)
Loss on disposal of subsidiaries, net	—	8,481
Loss on disposal of properties under development	—	9,079
Loss on disposal of fixed assets, net	13,857	20,518
Loss on disposal of certain interest in a subsidiary	—	3,087
Loss on disposal of investment properties	260	—
Provision against inventories	8,327	10,871
Provision for doubtful debts	40,906	24,394
Impairment of a contractual joint venture (Note 20)	110,253	—
Compensation payments in respect of the planned curtailment of operations of a subsidiary	—	4,616

Notes to Financial Statements (continued)

31 December 2002

7. PROFIT FROM OPERATING ACTIVITIES (continued)

	2002 HK\$'000	2001 HK\$'000
and after crediting:		
Gross rental income from investment properties	278,568	259,962
Less: Outgoings	(14,547)	(17,299)
Net rental income from investment properties	264,021	242,663
Negative goodwill recognised as income (Note 21)*	11,003	10,286
Other rental income, net	37,975	28,153
Gain on disposal of a deconsolidated subsidiary (Note 17)	850	—
Gain on disposal of subsidiaries	2,939	—
Gain on disposal of associates, net	34,447	—
Gain on disposal of other investments	—	26,240
Royalty income from trademarks	500	1,500
Gain from settlement of a litigation (Note 19)	3,900	—
Interest income	31,457	60,692
Exchange gains, net	526	8,793

* The negative goodwill recognised as income for the year are included in "Other revenue and gains" on the face of the consolidated profit and loss account.

Notes to Financial Statements (continued)

31 December 2002

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

- (a) Directors' remuneration disclosed pursuant to the Listing Rules and Section 161 of the Companies Ordinance is as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Fees:		
Executive directors	—	—
Independent non-executive directors	800	800
	800	800
Other emoluments:		
Salaries, allowances and benefits in kind	3,343	2,872
Bonuses paid and payable	708	157
Pension scheme contributions	583	102
Less: Forfeited contributions	—	—
Net pension scheme expenses	583	102
Total directors' remuneration	5,434	3,931

The number of directors whose remuneration fell within the following bands is as follows:

	Number of directors	
	2002	2001
Nil – HK\$1,000,000	13	13
HK\$1,000,001 – HK\$1,500,000	2	—
HK\$1,500,001 – HK\$2,000,000	1	1
	16	14

Notes to Financial Statements (continued)

31 December 2002

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES (continued)

During the year, 85,000,000 share options (2001: 57,000,000 share options) were granted to certain directors in respect of their services to the Group, further details of which are set out in note 44(a) to the financial statements. No value in respect of the above share options granted has been charged to the consolidated profit and loss account, or is otherwise included in the above directors' remuneration disclosures.

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

- (b) The five highest paid employees of the Group during the year included two directors (2001: one director). Details of the remuneration of the other three highest paid, non-director employees (2001: four) are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Salaries, allowances and other benefits in kind	3,068	5,434
Bonuses paid and payable	1,415	1,281
Pension scheme contributions	71	68
	4,554	6,783

The remuneration of the other three highest paid, non-director employees (2001: four) fell within the following bands:

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

Notes to Financial Statements (continued)

31 December 2002

8. DIRECTORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES
(continued)

During the year, 4,000,000 share options (2001: 2,400,000 share options) were granted to two of the above three highest-paid non-director employees (2001: two of the above four highest-paid non-director employees) in respect of their services to the Group, further details of which are set out in note 44 to the financial statements. No value in respect of the above share options granted has been charged to the consolidated profit and loss account, or is otherwise included in the above five highest paid employees' remuneration disclosures.

9. FINANCE COSTS

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest on bank loans, overdrafts and other borrowings repayable:		
Within five years	140,552	406,368
Over five years	1,103,052	1,122,628
Interest on provision for bank loans guaranteed (Note 41)	21,073	46,706
Interest on finance leases	—	268
	1,264,677	1,575,970
Less: Interest included in prepaid construction costs (Note 24(c))	(34,006)	(11,768)
	1,230,671	1,564,202
Amortisation of swap cost in respect of the Swap Agreement (Note 39(b)(iii))	14,328	2,272
Finance charges for the amendment in respect of the Swap Agreement (Note 39(b)(iii))	136,266	—
Finance charges for the debt refinancing of GH Holdings	112,854	—
Total finance costs for the year	1,494,119	1,566,474

Notes to Financial Statements (continued)

31 December 2002

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2001 : 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on assessable profits of subsidiaries of the Company in Mainland China and overseas have been calculated at the rates of tax applicable to those subsidiaries based on existing legislation, interpretations and practices in respect thereof.

	2002 HK\$'000	2001 HK\$'000
Company and subsidiaries:		
Hong Kong	4,795	5,912
Mainland China	84,039	110,261
Under provision in the prior year	468	400
	89,302	116,573
Share of tax attributable to:		
Jointly-controlled entity	7,701	3,291
Associates	16,289	10,786
	113,292	130,650
Tax charge for the year	113,292	130,650

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit of the Group from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company is HK\$143,201,000 (2001 : HK\$9,229,000).

12. DIVIDEND

The board of directors does not recommend the payment of any dividend with respect to the Ordinary Shares, as defined in note 43 to the financial statements, for the year (2001 : Nil).

As at 31 December 2002, the accumulated (but undeclared) fixed dividends on the Preference Shares, as defined in note 43 to the financial statements, amounted to HK\$92,236,000 (2001 : HK\$70,448,000). Such accumulated dividends, in respect of the period starting from 7 October 1998, do not accrue interest.

Notes to Financial Statements (continued)

31 December 2002

13. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share for the years ended 31 December 2002 and 2001 are based on the following data:

	2002	2001
	HK\$'000	HK\$'000
Earnings:		
Net profit attributable to shareholders	281,108	285,542
Less: Provision for preference share redemption premium	(53,048)	(52,051)
Preference Share dividend	(21,788)	(21,352)
Earnings for the purpose of basic and diluted earnings per share	206,272	212,139
Number of shares:		
Weighted average number of Ordinary Shares in issue	5,141,494,726	4,891,876,282
Effect of Additional Shares to be issued arising from the Acquisition from the date when all necessary conditions have been satisfied	137,500,000	16,500,000
For the purpose of basic earnings per share	5,278,994,726	4,908,376,282
Weighted average number of Ordinary Shares in issue	5,141,494,726	4,891,876,282
Assumed issued at no consideration on deemed exercise of all share options outstanding during the year	48,915,741	44,895,774
Effect of Additional Shares to be issued arising from the Acquisition from the beginning of year	198,000,000	66,000,000
For the purpose of diluted earnings per share	5,388,410,467	5,002,772,056

Notes to Financial Statements (continued)

31 December 2002

13. EARNINGS PER SHARE (continued)

As part of the consideration for the acquisition of an 81% interest in GH Water Supply (Holdings) Limited (“GH Holdings”) in 2000 (the “Acquisition”), the Company is committed to issue 66 million Ordinary Shares (the “Additional Shares”) for each year of the five years commencing from 22 December 2000 (the “Earnout Period”) to GDH Limited subject to the performance of 廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited) (“WaterCo”), a subsidiary of GH Holdings, meeting the milestones as set out in an earnout agreement between the Company and GDH Limited dated 22 December 2000 (the “Earnout Agreement”). Further details of this obligation are set out in the shareholders’ circular of the Company in respect of the Acquisition dated 15 September 2000 (the “Acquisition Circular”).

As WaterCo had already attained the performance milestones under the Earnout Agreement for the first, second, third and fourth years of the Earnout Period in connection with the issuance of Additional Shares in September 2001, March 2002, September 2002 and March 2003, respectively, the Company had an obligation to issue a total of 264 million Additional Shares to GDH Limited at a date which is the later of 21 December 2003 and the completion of the renovation project comprising the fourth expansion of the Dongshen Water Supply Project (the “Phase IV Renovation Project”) which is expected to be in mid-2004. Further details of which are set out in note 45(b) to the financial statements.

The effects of the 198 million Additional Shares for the first, second and third years of the Earnout Period have been incorporated in the computation of the basic and diluted earnings per share for the current year. However, the further 66 million Additional Shares for the fourth year of the Earnout Period have not been taken into account in the computation of the basic and diluted earnings per share for the current year because the relevant performance milestones were only met subsequent to the balance sheet date in March 2003.

In the current year, the effect of the Company arising from the exercise of the Preference Shares was anti-dilutive.

In the prior year, the effect of the Company arising from the exercise of the convertible bonds and Preference Shares was anti-dilutive.

Notes to Financial Statements (continued)

31 December 2002

14. FIXED ASSETS

Group

	Hotel properties	Land and buildings	Tunnels, dams, water mains and reservoir	Plant and machinery	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Toll road	Construction in progress	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost or valuation:										
At beginning of year	1,689,578	5,501,425	1,410,589	2,443,051	279,444	137,322	154,843	219,399	536,507	12,372,158
Additions	—	9,142	—	38,221	8,353	7,661	2,201	—	43,520	109,098
Transfer to investment properties, net	—	(5,277)	—	—	—	—	—	—	(2,579)	(7,856)
Reclassifications	—	730	18,066	23,413	3,997	(3,044)	752	5,826	(49,740)	—
Disposals	(53,891)	(56,225)	(234)	(32,029)	(10,762)	(18,126)	(8,253)	—	—	(179,520)
Disposal of subsidiaries	—	(3,700)	—	(2,651)	(1,322)	(5,334)	(519)	—	—	(13,526)
Revaluation surplus, net	2,763	—	—	—	—	—	—	—	—	2,763
Exchange adjustments	(282)	(557)	—	(942)	(44)	(37)	(39)	(105)	(278)	(2,284)
At 31 December 2002	1,638,168	5,445,538	1,428,421	2,469,063	279,666	118,442	148,985	225,120	527,430	12,280,833
Accumulated depreciation and impairment:										
At beginning of year	—	525,505	59,992	967,249	219,191	108,537	103,198	24,108	—	2,007,780
Provided for the year	—	188,329	41,913	139,346	18,009	12,334	18,219	7,950	—	426,100
Transfer to investment properties	—	(807)	—	—	—	—	—	—	—	(807)
Reclassifications	—	(4,446)	—	1,415	5,342	(1,384)	(927)	—	—	—
Disposals	—	(2,946)	(98)	(22,046)	(8,554)	(17,518)	(6,976)	—	—	(58,138)
Impairments	—	52,476	—	1,534	1,298	35	—	—	—	55,343
Disposal of subsidiaries	—	(44)	—	(2,651)	(996)	(5,069)	(506)	—	—	(9,266)
Exchange adjustments	—	(483)	—	(450)	(33)	(28)	(29)	(24)	—	(1,047)
At 31 December 2002	—	757,584	101,807	1,084,397	234,257	96,907	112,979	32,034	—	2,419,965
Net book value:										
At 31 December 2002	1,638,168	4,687,954	1,326,614	1,384,666	45,409	21,535	36,006	193,086	527,430	9,860,868
At 31 December 2001	1,689,578	4,975,920	1,350,597	1,475,802	60,253	28,785	51,645	195,291	536,507	10,364,378

Notes to Financial Statements (continued)

31 December 2002

14. FIXED ASSETS (continued)

Group (continued)

The impairment losses of fixed assets of HK\$55,343,000 arose from subsequent sales and decrease in value in use of certain land and buildings and reduction in usage of certain production facilities of the Group's tannery plant and malting plant. The impairment losses for land and buildings, together with the furniture and fixtures and leasehold improvements therein, were determined based on the subsequent selling price and professional valuation whereas the production facilities were considered as having zero recoverable value.

The net book values of the Group's hotel properties and land and buildings as at 31 December 2002 are analysed as follows:

	Hotel properties		Land and buildings	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Long term leases in Hong Kong	686,035	733,951	404,149	465,501
Medium term leases in Hong Kong	394,834	394,834	6,399	4,882
Long term leases in Mainland China	—	—	20,468	25,638
Medium term leases in Mainland China	557,299	560,793	4,254,404	4,476,292
Freehold in other location	—	—	2,534	3,607
	1,638,168	1,689,578	4,687,954	4,975,920

The hotel properties were revalued individually at the balance sheet date by RHL Appraisal Limited, independent professional qualified valuers, on an open market basis, based on their existing use, at an aggregate amount of HK\$1,638,168,000 as at 31 December 2002 (2001 : HK\$1,689,578,000).

A net revaluation surplus of HK\$2,763,000 resulting from the above revaluations has been credited to the consolidated profit and loss account, to partly offset the revaluation deficit previously charged to the Group.

Had the carrying values of the Group's hotel properties been carried at historical cost less accumulated depreciation and impairment losses in accordance with the Group's accounting policies, their carrying amounts would have been HK\$1,638,168,000 (2001 : HK\$1,689,578,000).

Notes to Financial Statements (continued)

31 December 2002

14. FIXED ASSETS (continued)**Company**

	Furniture, fixtures and equipment	Leasehold improvements	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost:				
At beginning of year	11,157	10,311	612	22,080
Additions	160	—	—	160
Disposals	(102)	—	—	(102)
At 31 December 2002	11,215	10,311	612	22,138
Accumulated depreciation:				
At beginning of year	8,405	3,506	612	12,523
Provided during the year	1,298	2,524	—	3,822
Disposals	(94)	—	—	(94)
At 31 December 2002	9,609	6,030	612	16,251
Net book value:				
At 31 December 2002	1,606	4,281	—	5,887
At 31 December 2001	2,752	6,805	—	9,557

Notes to Financial Statements (continued)

31 December 2002

15. PROPERTIES UNDER DEVELOPMENT

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	173,147	406,956
Additions, at cost	—	198,583
Transfer to properties held for sale	—	(229,167)
Disposal of subsidiaries	—	(170,410)
Disposals	(74,711)	(30,852)
Impairment (Note 7)	(28,800)	(22,682)
Reversal of impairment losses	—	21,000
Exchange adjustments	(36)	(281)
Balance at 31 December	69,600	173,147

The carrying value of the Group's properties under development is analysed as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Long term leases in Mainland China	64,000	64,000
Medium term leases in Mainland China	5,600	85,147
Long term lease in Hong Kong	—	24,000
At 31 December	69,600	173,147

The current year's impairment losses of HK\$28,800,000 (2001: HK\$22,682,000) arose from unfavourable conditions in the property markets of certain area in Mainland China and were determined based on the directors' estimates of the market values of these properties under development with reference to professional valuations.

Notes to Financial Statements (continued)

31 December 2002

16. INVESTMENT PROPERTIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year, at valuation	2,332,118	2,894,255
Additions	30,000	—
Transfer from fixed assets	7,549	48,896
Transfer to fixed assets	(500)	(352,800)
Transfer to properties held for sale	—	(29,000)
Disposals	(1,649)	(3,000)
Disposal of subsidiaries	—	(178,480)
Revaluation deficit, net	(77,643)	(47,753)
Exchange adjustments	(595)	—
Balance at 31 December, at valuation	2,289,280	2,332,118
Analysis by geographical location:		
Freehold properties situated in Thailand	12,670	16,858
Long term leasehold properties situated in Hong Kong	370,400	458,250
Medium term leasehold properties situated in Hong Kong	5,570	6,080
Medium term leasehold properties situated in Mainland China	1,900,640	1,850,930
Balance at 31 December	2,289,280	2,332,118

The Group's investment properties were revalued by independent professional valuers, RHL Appraisal Limited, on an open market basis, based on their existing use, at 31 December 2002.

An amount of HK\$89,432,000, representing the net deficit of HK\$77,643,000 arising from this revaluation after taking into account a revaluation surplus of HK\$11,789,000 attributable to minority interests, has been charged to the consolidated profit and loss account.

Further particulars of the Group's investment properties are included on page 214–215.

Notes to Financial Statements (continued)

31 December 2002

17. INTERESTS IN SUBSIDIARIES

	Company	
	2002	2001
	HK\$'000	HK\$'000
Investments at cost:		
Listed	726,825	726,825
Unlisted	6,107,276	6,329,401
	6,834,101	7,056,226
Due from subsidiaries	5,570,624	6,278,126
Due to subsidiaries	(837,840)	(1,446,274)
	11,566,885	11,888,078
Provisions for impairment	(2,525,761)	(2,525,761)
	9,041,124	9,362,317
Market value of listed shares as at 31 December	504,018	536,271

Notes to Financial Statements (continued)

31 December 2002

17. INTERESTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries at the balance sheet date were as follows:

Company	Place of incorporation/ registration and operations	Nominal value of issued share capital, registered/ paid-up capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
Bateson Developments Limited	British Virgin Islands/ Hong Kong	US\$9 ordinary US\$91 non-voting deferred	100%	100%	Property investment
Century Asia Enterprises Limited	Hong Kong	HK\$3	—	100%	Property investment
Crown South (Hong Kong) Limited	Hong Kong	HK\$2	—	71.56%	Sale of leather ware products
Fill Success Investments Limited	Hong Kong	HK\$2 ordinary HK\$2 non-voting deferred	—	100%	Hotel ownership
*GH Water Supply (Holdings) Limited	Cayman Islands	HK\$1,000,000 HK\$100 Class A special shares HK\$10 Class B special shares	82.42%	82.42%	Investment holding
Gold Star Assets Limited	Hong Kong	HK\$2	—	71.56%	Investment holding
廣東天質(集團)股份有限公司 (Guang Dong Teem (Holdings) Ltd.) ⁽¹⁾	Mainland China	RMB840,000,000	8.77%	62.77%	Property investment and investment holding
Guangdong Brewery Holdings Limited	Bermuda/Hong Kong	HK\$125,000,000	72%	72%	Investment holding

Notes to Financial Statements (continued)

31 December 2002

17. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration and operations	Nominal value of issued share capital, registered/ paid-up capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
Guangdong (H.K.) Tours Company Limited	Hong Kong	HK\$3,500,000 ordinary HK\$2,000,000 non-voting deferred	100%	100%	Travel services
Guangdong Hotel Limited	Hong Kong	HK\$2 ordinary HK\$5,000,000 non-voting deferred	—	100%	Hotel ownership and operations
Guangdong (International) Hotel Management Limited	Hong Kong	HK\$10,000	100%	100%	Hotel management
Guangdong Investment Finance (Cayman) Limited	Cayman Islands	US\$2	100%	100%	Provision of finance to the Group
Guangdong Nan Fang (Holdings) Co. Ltd.	British Virgin Islands/ Mainland China	US\$10,000	56.34%	56.34%	Property investment
Guangdong Parking Limited	British Virgin Islands/ Hong Kong	US\$10	—	60%	Property investment
Guangdong Power (International) Limited	British Virgin Islands/ Hong Kong	US\$44,078,850	51%	51%	Investment holding
Guangdong Properties Holdings Limited	Hong Kong	HK\$2	100%	100%	Investment holding
Guangdong Tannery Limited ("GD Tannery")	Hong Kong	HK\$52,415,400	71.56%	71.56%	Investment holding

Notes to Financial Statements (continued)

31 December 2002

17. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration and operations	Nominal value of issued share capital, registered/ paid-up capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
廣東天寶南方大廈 百貨有限公司 (Guangdong Teem Nanda Department Stores Ltd.) ⁽⁴⁾ ("Tiannan")	Mainland China	RMB8,000,000	—	76.92%	Department stores operations
Guangdong Tours Transportation Limited	Hong Kong	HK\$100,000	—	100%	Provision of transportation services
*廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited) ⁽²⁾	Mainland China	HK\$6,116,000,000	—	81.60%	Water supply business
Guangdong Yingde Highway Ltd. ⁽²⁾	Mainland China	RMB93,200,000	—	70%	Highway operations
Guangzhou Malting Co., Ltd. ⁽¹⁾	Mainland China	US\$28,380,000	—	51.6%	Manufacture of malt
Guangzhou Yangcheng Malting Plant ⁽¹⁾	Mainland China	US\$11,000,000	—	51.6%	Manufacture of malt
Harbour Hill International Limited	Hong Kong	HK\$1,000,000	—	71.56%	Import and export trade
惠陽粵海房產發展有限公司 (Hui Yang Yue Hai Real Estate Development Ltd.) ⁽²⁾	Mainland China	RMB75,000,000	—	80%	Property development

Notes to Financial Statements (continued)

31 December 2002

17. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration and operations	Nominal value of issued share capital, registered/ paid-up capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
Nanhai Tannery & Leather Products Co., Ltd. ⁽³⁾	Mainland China	US\$8,000,000	—	71.56%	Processing of cowhides and leather trading
Ningbo Malting Co., Ltd. ⁽³⁾	Mainland China	US\$26,000,000	—	51%	Manufacture of malt
Prized Time Limited	British Virgin Islands/ Mainland China	US\$2	—	71.56%	Property investment
Qingdao Nanhai Tannery Co., Ltd. ⁽²⁾ ("Qingdao Nanhai Tannery")	Mainland China	US\$2,500,000	—	71.56%	Dormant
Sen International Ventures Corporation (Hong Kong) Limited	Hong Kong	HK\$2	—	100%	Hotel operations
Shaoguan Power Plant (D) Ltd. ⁽¹⁾	Mainland China	US\$51,500,000	—	45.9%	Power plant operations
深圳粤海酒店企业有限公司 (Shenzhen Guangdong Hotel Enterprise Ltd.) ⁽²⁾	Mainland China	HK\$114,787,016	99%	99%	Hotel ownership and operations
Shenzhen Kingway Brewery Co., Ltd. ⁽¹⁾	Mainland China	US\$50,000,000	—	68.4%	Production, distribution and sale of beer, and investment holding
Shenzhen Kingway Brewing Co., Ltd. ⁽¹⁾	Mainland China	US\$12,000,000	—	62.64%	Production, distribution and sale of beer

Notes to Financial Statements (continued)

31 December 2002

17. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration and operations	Nominal value of issued share capital, registered/ paid-up capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
Shenzhen Kingway Packaging Co., Ltd. ⁽¹⁾	Mainland China	US\$12,000,000	—	62.64%	Provision of bottling and packaging services
Shenzhen Kingway Utility Co., Ltd. ⁽¹⁾	Mainland China	US\$12,000,000	—	62.64%	Provision of utilities services
Supertime Development Limited	Hong Kong	HK\$30,000,000	100%	100%	Investment holding
Suzhou Yuehai Real Estate Development Co., Ltd. ⁽²⁾	Mainland China	US\$6,000,000	100%	100%	Property development
Time Wise Profits Limited	British Virgin Islands	US\$1	—	71.56%	Import and export trade
Xuzhou Gangwei Colour Package Co., Ltd. ⁽³⁾	Mainland China	RMB18,000,000	—	71.56%	Manufacture and sale of packaging materials
Xuzhou Nanhai Leather Factory Co., Ltd. ⁽³⁾	Mainland China	RMB12,000,000	—	71.56%	Processing of cowhides and leather trading
Yue Hai Hotel, Zhuhai ⁽³⁾	Mainland China	US\$10,000,000	—	100%	Hotel ownership and operations
Yue Sheng Finance Limited	Hong Kong	HK\$2	100%	100%	Finance and investment

Notes to Financial Statements (continued)

31 December 2002

17. INTERESTS IN SUBSIDIARIES (continued)

Company	Place of incorporation/ registration and operations	Nominal value of issued share capital, registered/ paid-up capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
Zhongsan Power (Hong Kong) Limited	Hong Kong	HK\$100	95%	95%	Investment holding
番禺國穎皮具手袋有限公司 ⁽³⁾	Mainland China	HK\$5,655,050	—	71.56%	Manufacture and sale of leather ware products

* Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

Notes:

1. Sino-foreign equity joint venture.
2. Sino-foreign co-operative joint venture.
3. Wholly-owned foreign enterprise.
4. Limited company established in Mainland China.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements (continued)

31 December 2002

17. INTERESTS IN SUBSIDIARIES (continued)

Due to the disengagement arrangements regarding certain subsidiaries and their significant accumulated losses, the Group's interests in these subsidiaries were deconsolidated and full provisions for impairment were made in the prior years as summarised below.

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	—	—	—	231,671
Net liabilities deconsolidated	(483,888)	(752,130)	—	—
Amounts due from deconsolidated subsidiaries	209,731	477,973	—	268,242
Provisions for guarantees granted to banks of deconsolidated subsidiaries	(274,157)	(274,157)	—	499,913
Provisions for impairment	308,728 (308,728)	308,728 (308,728)	582,885 (582,885)	1,082,798 (1,082,798)
	—	—	—	—

Particulars of the principal deconsolidated subsidiaries at the balance sheet date are as follows:

Company	Place of incorporation/ registration	Nominal value of issued share capital, registered/ paid-up capital	Percentage of attributable equity interest held by		Principal activities
			Company	Group	
Guang Dong Nanhua Cement Limited [#]	Mainland China	RMB500,000,000	—	70%	Manufacture of cement
Guangdong Construction Materials (International) Limited	Hong Kong	HK\$2	—	100%	Investment holding

[#] Sino-foreign equity joint venture.

Notes to Financial Statements (continued)

31 December 2002

17. INTERESTS IN SUBSIDIARIES (continued)

The post-deconsolidation results of the abovementioned subsidiaries not dealt with in the financial statements of the Company in prior years were insignificant.

On 27 July 2001, the Company entered into a conditional agreement with the Chinese joint venture partner for the disposal of the Company's entire 56.01% interest in 廣州市南方大廈有限公司 (Guangzhou Nanfang Dasha Co., Ltd.) ("Nanfang Dasha") at a consideration of HK\$850,000. This transaction was completed in April 2002. Nanfang Dasha, which was a subsidiary of the Company, was deconsolidated from the Group's financial statements in prior years. The disposal has resulted in a profit of HK\$850,000 to the Group in the current year as full provision had previously been made by the Company in the prior years against its entire interest in Nanfang Dasha as part of the process of the Company to disengage from its non-core businesses.

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY

	2002 HK\$'000	2001 HK\$'000
Share of net assets	775,448	720,829
Due from a jointly-controlled entity	243,616	251,515
	1,019,064	972,344

The amount due from a jointly-controlled entity is unsecured, bears interest at LIBOR per annum and has no fixed terms of repayment.

Particulars of the jointly-controlled entity, which is a corporation, are as follows:

Company	Nominal value of issued and paid-up capital/place of incorporation	Percentage of attributable equity interest held by the Group	Principal activities
Guangdong Transport Investment (BVI) Company Limited ("GTI")	US\$100,000/ British Virgin Islands	51%	Investments in highway and bridge projects

Notes to Financial Statements (continued)

31 December 2002

18. INTEREST IN A JOINTLY-CONTROLLED ENTITY (continued)

Extracts of the audited operating results and financial position of GTI are as follows:

Operating results for the year:

	2002 HK\$'000	2001 HK\$'000
Turnover	21,862	32,348
Profit after tax	107,101	70,645

Financial position as at the balance sheet date:

	2002 HK\$'000	2001 HK\$'000
Non-current assets	2,565,303	2,676,766
Current assets	86,151	101,074
Current liabilities	(56,964)	(763,855)
Non-current liabilities	(1,074,004)	(600,600)
Net asset value	1,520,486	1,413,385

Notes to Financial Statements (continued)

31 December 2002

19. INTERESTS IN ASSOCIATES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Unlisted investments, at cost	—	—	115,062	3,968
Share of net assets	431,014	282,186	—	—
Due from associates	9,266	472,745	90	254,116
Due to associates	(9,135)	(46,821)	—	(119)
	431,145	708,110	115,152	257,965
Provisions for impairment	(7,528)	(104,637)	—	(168,382)
	423,617	603,473	115,152	89,583
Add: Loan from an associate (included in Note 35)	—	37,690	—	—
At 31 December	423,617	641,163	115,152	89,583

As detailed in note 3 to the financial statements, the Group has adopted the transitional provision of SSAP 30 which permits goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against or credited to the consolidated capital reserve.

Since 1 January 2001 and during the year, the Group had no goodwill or negative goodwill arising from the acquisition of associates.

The balances with associates as at 31 December 2002 are unsecured, interest-free and have no fixed terms of repayment.

The loan from an associate as at 31 December 2001 was unsecured, bore interest at 4% per annum and was fully repaid during the year.

In January 2001, the Group commenced an action in the United States of America against Hennessy International Group, Inc. ("HIGI") and certain of its owners/controllers (the "Defendants") in order to recover the Group's advances to HIGI amounting to US\$2,250,000. HIGI was an associate of the Group which had attributable equity interest of 23.85%.

Notes to Financial Statements (continued)

31 December 2002

19. INTERESTS IN ASSOCIATES (continued)

On 16 August 2002, the Group reached a settlement with the Defendants and entered into a settlement agreement. Pursuant to the agreement, the Group agreed to discharge the Defendants from its claims and to transfer its entire equity interest in HIGI to the Defendants in a consideration of US\$500,000. As a result, HIGI has ceased to be the Group's associate thereafter.

All associates of the Group are corporations.

Particulars of the principal associates which are corporations, at 31 December 2002, are as follows:

Company	Place of incorporation/ registration and operations	Percentage of attributable equity interest held by		Principal activities
		Company	Group	
廣州市番禺粵海房地產有限公司 (Guangzhou Panyu Yue Hai Real Estate Limited)	Mainland China	—	24.8%	Property investment and development
Guangdong Jusco Teem Stores Co. Ltd	Mainland China	—	21.97%	Retailing
Guangdong Power Investment Limited	British Virgin Islands/Hong Kong	49%	49%	Investment holding
廣東省韶關粵江發電有限責任公司 (Guangdong Shaoguan Yue Jiang Power Supply Limited)	Mainland China	—	11.48%	Power plant operations
廣州市新時代快車有限公司 (New Flash Transportation (Guangzhou) Co., Ltd.)	Mainland China	—	46%	Transportation services

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

Notes to Financial Statements (continued)

31 December 2002

20. CONTRACTUAL JOINT VENTURE

	Group	
	2002 HK\$'000	2001 HK\$'000
Unlisted investments, at cost	271,152	271,152
Less: Accumulated amortisation and impairment	(271,152)	(231,126)
	—	40,026
Loan to a contractual joint venture	135,345	135,345
Amounts due from a contractual joint venture	70,227	70,227
Less: Provision	(70,227)	—
At 31 December	135,345	245,598
Less: Portion classified as current assets	(58,005)	(53,697)
Non-current portion	77,340	191,901

This represented the Group's cost of investment of approximately HK\$271 million in 中山火力發電廠 ("Zhongshan Power Plant") which is located in Zhongshan, Mainland China. The tenure of this contractual joint venture will expire in 2013.

The loan to a contractual joint venture was secured by the pledge of certain fixed assets of the contractual joint venture to the Group as security. The loan bore interest at 14.25% per annum and is repayable by 10 equal annual instalments commencing from April 1998 and the principal was fully refinanced by Zhongshan Power Plant with its new bank loan raised in January 2003. The new bank loan is secured by all land, buildings and equipment of Zhongshan Power Plant totalling of approximately RMB157.71 million as valued by the bank and is also guaranteed by the Company, further details of which are set out in note 53(i) to the financial statements.

The further impairment loss and provision of HK\$110,253,000 in the current year was due to the deterioration of the financial position of Zhongshan Power Plant as a result of the fierce competition of the power supply market in Mainland China.

Notes to Financial Statements (continued)

31 December 2002

21. GOODWILL AND NEGATIVE GOODWILL

The amounts of goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries after 1 January 2002, are as follows:

	Group	
	Goodwill	Negative goodwill
	HK\$'000	HK\$'000
Cost:		
At beginning of year	1,192	(115,568)
Acquisition of additional interest in a subsidiary (Note)	—	(36,967)
At 31 December 2002	1,192	(152,535)
Accumulated amortisation and impairment/(recognition as income):		
At beginning of year	119	(10,286)
Amortisation provided/(recognised as income) during the year	238	(11,003)
At 31 December 2002	357	(21,289)
Net book value:		
At 31 December 2002	835	(131,246)
At 31 December 2001	1,073	(105,282)

Note: Pursuant to the terms of the shareholders' agreement of GH Holdings, the Company had exercised its first right of refusal in respect of certain shares of GH Holdings which certain existing holders wished to transfer. During the year, the Company further acquired 0.99% interest in GH Holdings at a total consideration of HK\$22,256,000. As a result of these acquisitions, the Group increased its holdings in GH Holdings to 82.42% as at 31 December 2002 and recognised a negative goodwill of HK\$36,967,000.

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against or credited to the consolidated capital reserve.

Notes to Financial Statements (continued)

31 December 2002

21. GOODWILL AND NEGATIVE GOODWILL (continued)

The movements of the goodwill and negative goodwill remaining in consolidated capital reserve, arising from the acquisition of subsidiaries and associates prior to 1 January 2001, during the year are as follows:

	Group	
	Goodwill eliminated against consolidated capital reserve	Negative goodwill credited to consolidated capital reserve
	HK\$'000	HK\$'000
Cost:		
At beginning of year and at 31 December 2002	1,259,300	(1,897,463)
Accumulated impairment:		
At beginning of year and at 31 December 2002	(1,018,662)	—
Net amount:		
At 31 December 2002 and 2001	240,638	(1,897,463)

Notes to Financial Statements (continued)

31 December 2002

22. OTHER FINANCIAL ASSETS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Investment securities, at cost				
<i>Unlisted:</i>				
Outside Hong Kong	134,491	146,952	—	—
Less: Impairment	(101,247)	(99,357)	—	—
	33,244	47,595	—	—
Other investments, at fair value				
<i>Listed:</i>				
Hong Kong	132	247	—	—
<i>Unlisted:</i>				
Outside Hong Kong	19	19,988	—	17,338
Total other financial assets at 31 December	33,395	67,830	—	17,338
Less: Other investments classified as current assets, at fair value	(151)	(17,585)	—	(17,338)
Non-current portion	33,244	50,245	—	—
Market value of Hong Kong listed investment, at 31 December	132	247	—	—

Included in the unlisted investment securities at 31 December 2002 was a 24.5% interest in Pak Kong Transco Limited, a company established in Mainland China with an investment in the Pak Kong Bridges in Qingyuan, Mainland China, of HK\$18,646,000. In the opinion of the directors, the Group does not exercise significant influence over the financial and operating policies of Pak Kong Transco Limited and accordingly, this investment has not been equity accounted for as an associate.

Notes to Financial Statements (continued)

31 December 2002

23. INTANGIBLE ASSETS**Group**

	Operating right	Trademarks	Total
	HK\$'000	HK\$'000	HK\$'000
Cost:			
At beginning of year	14,798,611	40,000	14,838,611
Disposal of a subsidiary	—	(40,000)	(40,000)
At 31 December 2002	14,798,611	—	14,798,611
Accumulated amortisation and impairment:			
At beginning of year	677,088	38,500	715,588
Amortisation during the year	493,287	700	493,987
Disposal of a subsidiary	—	(39,200)	(39,200)
At 31 December 2002	1,170,375	—	1,170,375
Net book value:			
At 31 December 2002	13,628,236	—	13,628,236
At 31 December 2001	14,121,523	1,500	14,123,023

Prior to the Acquisition, 廣東粵港供水有限公司 (Guangdong Yue Gang Water Supply Company Limited, "WaterCo"), an approximately 81.6% owned subsidiary of the Group as at 31 December 2002, acquired the operating right from Yue Gang Investment to operate a water supply business, which supplies natural water to Hong Kong, Shenzhen and Dongguan in Mainland China, for a period of 30 years commencing from 18 August 2000. The operating right also grants WaterCo a right and licence to take up to 2.423 billion cubic metres of natural water annually from the Dongjiang River at Qiaotou Township in Dongguan, the exclusive right to supply natural water to Hong Kong and the non-exclusive right to supply natural water to Shenzhen and Dongguan for a period of 30 years commencing from 18 August 2000.

Notes to Financial Statements (continued)

31 December 2002

24. OTHER LONG TERM ASSETS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Prepaid rental (Note a)	180,656	291,665	—	—
Prepayment for land use rights (Note b)	452,773	452,773	—	—
Prepaid construction costs (Note c)	1,406,681	775,248	—	—
Reusable packaging materials	15,778	5,975	—	—
Other deferred expenses	8,312	13,313	154	2,584
	2,064,200	1,538,974	154	2,584
Less: Current portion (Note a)	(110,097)	(110,097)	—	—
	1,954,103	1,428,877	154	2,584

Notes:

- (a) Prior to the establishment of WaterCo on 18 August 2000, all fixed assets used for the existing exposed water supply channels and canals were owned by Yue Gang Investment. Following the completion of a "Phase IV Renovation Project", part of the existing fixed assets, including land, which are being used for the existing exposed water supply channels and canals will be replaced by the closed water system. Accordingly, the relevant fixed assets and the land which would not be used after the completion of the closed water supply system, are leased by WaterCo instead of being acquired from Yue Gang Investment.

The amount at the balance sheet date represented unamortised prepaid rental for leasing these fixed assets, including land used for the existing exposed water supply channels and canals from Yue Gang Investment for the period from 18 August 2000 to the completion date of the Phase IV Renovation Project. During the year, an amortisation of the prepaid rental of HK\$111,009,000 (2001: HK\$111,190,000) was charged to the consolidated profit and loss account.

In addition, to accord with the presentation adopted in the current year, the portion of prepaid rental, for leasing certain fixed assets and land used for the existing exposed water channels and canals of the Group, to be amortised in the next twelve months as at 31 December 2002 amounting to HK\$110,097,000 has been reclassified to receivables, prepayments and deposits from other long term assets because, in the opinion of the directors, such presentation better reflects the underlying nature of the balance.

- (b) The amount represented a prepayment for the right to use the land for the Phase IV Renovation Project for a period of 30 years commencing from 18 August 2000. The Phase IV Renovation Project will transform most of the existing exposed water supply channels and canals into an enclosed and protected water supply system in order to prevent contamination of water as it flows through the water supply system. The renovation work commenced in August 2000 and is expected to be completed by mid-2004.

Notes to Financial Statements (continued)

31 December 2002

24. OTHER LONG TERM ASSETS (continued)

- (c) Pursuant to a Concession Agreement dated 18 August 2000 entered into between WaterCo and the Guangdong Provincial Government, WaterCo agreed to appoint Guangdong Province Water Supply Project Administration General Bureau (the "Project Bureau") to be in charge of the organisation and implementation of the engineering, procurement and construction of the Phase IV Renovation Project according to an Engineering, Procurement and Construction Contract (the "EPC Contract") entered into with the Project Bureau on 15 December 2000. The projected total construction costs, including borrowing costs incurred for the Phase IV Renovation Project, is RMB4.7 billion.

During the year, such borrowings costs included in the prepaid construction costs amounted to HK\$34,006,000 (2001: HK\$11,768,000) which represented a capitalisation rate of 5.184% (2001: 5.589%) being applied.

25. LOAN RECEIVABLES

	Group	
	2002 HK\$'000	2001 HK\$'000
Secured	884	1,424
Unsecured	—	—
At 31 December	884	1,424
Repayable:		
Within twelve months from the balance sheet date	245	312
Beyond twelve months from the balance sheet date	639	1,112
	884	1,424

Notes to Financial Statements (continued)

31 December 2002

26. INVENTORIES

	Group	
	2002	2001
	HK\$'000	HK\$'000
Raw materials	238,428	230,420
Work in progress	72,861	56,892
Finished goods	157,214	202,915
Properties held for sale	7,884	25,146
At 31 December	476,387	515,373

At 31 December 2002, the carrying amount of inventories carried at net realisable value was HK\$53,937,000 (2001: HK\$67,728,000).

27. RECEIVABLES, PREPAYMENTS AND DEPOSITS

As at 31 December 2002, included in the receivables, prepayments and deposits are trade receivables of HK\$660,574,000 (2001: HK\$846,765,000) from the Group's customers.

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable ranging from 30 days to 180 days of issue. Credit limits are set for customers. The Group seeks to maintain tight control over its outstanding receivables in order to minimise credit risk. Overdue balances are regularly reviewed by senior management.

Notes to Financial Statements (continued)

31 December 2002

27. RECEIVABLES, PREPAYMENTS AND DEPOSITS (continued)

As at 31 December 2002, an aged analysis of the Group's trade receivables, based on payment due date, is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within 3 months	379,895	540,609
More than 3 months and less than 6 months	3,948	6,496
More than 6 months and less than 1 year	32,765	16,432
More than 1 year	243,966	283,228
	660,574	846,765
<i>Less:</i> Provision for doubtful debts	(275,291)	(305,205)
	385,283	541,560

Notes to Financial Statements (continued)

31 December 2002

28. CASH AND CASH EQUIVALENTS AND PLEDGED BANK DEPOSITS AND BALANCES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Cash and bank balances	1,412,667	1,258,150	426,444	123,263
Time deposits	375,756	346,597	42,657	25,839
	1,788,423	1,604,747	469,101	149,102
Less: Pledged bank deposits and balances (Note)	(17,513)	(66,305)	—	—
Cash and cash equivalents as at 31 December (Note 46(c))	1,770,910	1,538,442	469,101	149,102

Note: The bank deposits and balances were pledged to certain banks for certain trade and credit facilities granted to the Group.

As at 31 December 2002, the Company and certain of its subsidiaries held cash and bank balances of HK\$510 million (2001: HK\$309 million) which were subject to certain arrangements as set out in their respective debt restructuring documents. Pursuant to their respective debt restructuring documents, the Company and these subsidiaries are required to reserve cash and bank balances, from time to time, up to a maximum of HK\$268 million (2001: HK\$365 million) in total which is applied to be used as working capital for their operations.

In addition to the above-mentioned HK\$268 million (2001: HK\$365 million), a subsidiary of the Company is also required to reserve certain cash and bank balances for, amongst other things, payment of interest, repayment of debts and distribution to shareholders of that subsidiary pursuant to an agreement dated 22 December 2000 entered into between the subsidiary and other parties. As at 31 December 2002, cash retained for such purpose amounted to HK\$127,545,000 (2001: HK\$130,766,000).

Notes to Financial Statements (continued)

31 December 2002

29. DUE FROM A RELATED COMPANY

Particulars of an amount due from a related company of the Company and the Group disclosed pursuant to Section 161B of the Companies Ordinance are as follows:

Name	31 December 2002 HK\$'000	Maximum amount outstanding during the year HK\$'000	1 January 2002 HK\$'000
Eken Development Limited, owned by Tang Zhen*	1,470	1,601	1,601

* Senior executive of the Company.

The balance is secured by a leasehold property, bears interest at 2% below Hong Kong prime rate per annum and is repayable monthly over a maximum period of 10 years from the balance sheet date.

The advance, which was made to facilitate the senior executive's purchase of a residential premise as his main residence, was made in accordance with the Company's employee home purchase scheme.

30. DUE FROM MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts due from minority shareholders of subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

31. DUE FROM/TO FELLOW SUBSIDIARIES

As at 31 December 2002, included in the amounts due from fellow subsidiaries is an unsecured loan due from Guangdong Finance Co., Limited ("GD Finance") of HK\$44,949,000 (2001: HK\$67,965,000), with a provision of HK\$44,949,000 (2001: HK\$48,156,000), which bore interest at rates ranging from London Inter Bank Offer Rate ("LIBOR") plus 1.8% per annum to Hong Kong Inter Bank Offer Rate ("HIBOR") plus 1.8% per annum and is repayable in accordance with the terms set out in the bank debt restructuring agreement of GD Finance. The remaining amounts due from fellow subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

The amounts due to fellow subsidiaries as at 31 December 2002 were unsecured, interest-free and have no fixed terms of repayment.

Notes to Financial Statements (continued)

31 December 2002

32. DUE FROM/TO IMMEDIATE HOLDING COMPANY

The amount due from immediate holding company, GDH Limited, was unsecured, interest-free and was fully repaid during the year.

The amounts due to immediate holding company are analysed as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Non interest-bearing portion included under current assets	1,050	64,069	387	—
Interest-bearing portion (included in Note 35)	626,623	113,241	568,000	—
At 31 December	627,673	177,310	568,387	—

The non interest-bearing portion of amounts due to immediate holding company is unsecured and has no fixed terms of repayment.

Notes to Financial Statements (continued)

31 December 2002

32. DUE FROM/TO IMMEDIATE HOLDING COMPANY (continued)

Included in the interest-bearing portion of amounts due to immediate holding company is an unsecured loan of HK\$568,000,000 (2001: Nil) which bears interest at 1% above HIBOR per annum. The remaining portion of the interest-bearing portion of amounts due to immediate holding company of HK\$58,623,000 (2001: HK\$113,241,000) is unsecured and bears interest at 4% per annum up to September 2002 and, thereafter, the applicable interest rate is the average of bank lending rate and deposit rate in Mainland China. The maturities of these unsecured loans are as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year	305,316	25,610	294,518	—
In the second year	10,798	25,208	—	—
In the third to fifth years, inclusive	305,303	46,813	273,482	—
Over five years	5,206	15,610	—	—
	626,623	113,241	568,000	—
Less: Portion classified as current liabilities	(305,316)	(25,610)	(294,518)	—
Non-current portion	321,307	87,631	273,482	—

Notes to Financial Statements (continued)

31 December 2002

33. DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

The amounts due to minority shareholders of subsidiaries as at the balance sheet date are unsecured and are analysed as follows:

	Group	
	2002	2001
	HK\$'000	HK\$'000
Interest-bearing borrowings (included in Note 35):		
Current portion	7,047	—
Non-current portion	35,401	42,448
	42,448	42,448
Non interest-bearing borrowings:		
Current portion	405,172	323,684
Non-current portion	198,373	265,044
	603,545	588,728
	645,993	631,176

Notes to Financial Statements (continued)

31 December 2002

33. DUE TO MINORITY SHAREHOLDERS OF SUBSIDIARIES (continued)

The maturities of the amounts due to minority shareholders of subsidiaries as at the balance sheet date are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year or no fixed terms of repayment	412,219	323,684
In the second year	128,506	184,729
In the third to fifth years, inclusive	97,510	108,378
Over five years	7,758	14,385
	645,993	631,176

The interest-bearing portion of the amounts due to minority shareholders of subsidiaries is unsecured and bears interest at 2% above LIBOR per annum up to 30 December 2002, and at 1.8% above LIBOR per annum thereafter (2001: 2% above LIBOR per annum).

34. TRADE PAYABLES

As at 31 December, an aged analysis of the Group's trade payables, based on payment due date, is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within 3 months	214,383	225,692
More than 3 months and less than 6 months	14,064	6,178
More than 6 months and less than 1 year	2,330	1,648
More than 1 year	61,321	53,771
	292,098	287,289

Notes to Financial Statements (continued)

31 December 2002

35. BANK AND OTHER INTEREST-BEARING BORROWINGS**Group**

	Notes	2002			2001		
		Current liabilities HK\$'000	Non-current liabilities HK\$'000	Total HK\$'000	Current liabilities HK\$'000	Non-current liabilities HK\$'000	Total HK\$'000
Bank loans and overdrafts	36	721,656	14,343,728	15,065,384	540,812	3,058,193	3,599,005
Bonds	37	—	417,085	417,085	—	650,179	650,179
Floating rate notes	38	—	245,282	245,282	—	382,349	382,349
Notes Payable and GH Holdings Debts	39	—	1,406,242	1,406,242	—	13,786,870	13,786,870
Transferable loan instruments	40	—	265,034	265,034	—	413,140	413,140
Due to immediate holding company	32	305,316	321,307	626,623	25,610	87,631	113,241
Due to minority shareholders of subsidiaries	33	7,047	35,401	42,448	—	42,448	42,448
Due to an associate	19	—	—	—	37,690	—	37,690
At 31 December		1,034,019	17,034,079	18,068,098	604,112	18,420,810	19,024,922

Notes to Financial Statements (continued)

31 December 2002

35. BANK AND OTHER INTEREST-BEARING BORROWINGS (continued)**Company**

	Notes	2002			2001		
		Current liabilities HK\$'000	Non-current liabilities HK\$'000	Total HK\$'000	Current liabilities HK\$'000	Non-current liabilities HK\$'000	Total HK\$'000
Bank loans and overdrafts	36	—	663,612	663,612	2,356	1,070,956	1,073,312
Floating rate notes	38	—	245,282	245,282	—	382,349	382,349
Notes Payable	39	—	92,417	92,417	—	144,063	144,063
Transferable loan instruments	40	—	265,034	265,034	—	413,140	413,140
Due to immediate holding company	32	294,518	273,482	568,000	—	—	—
At 31 December		294,518	1,539,827	1,834,345	2,356	2,010,508	2,012,864

36. BANK LOANS AND OVERDRAFTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank loans and overdrafts:				
Secured	14,448,708	2,273,331	114,854	213,036
Unsecured	616,676	1,325,674	548,758	860,276
At 31 December	15,065,384	3,599,005	663,612	1,073,312

Notes to Financial Statements (continued)

31 December 2002

36. BANK LOANS AND OVERDRAFTS (continued)

The maturities of the above amounts are as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Within one year or on demand	721,656	540,812	—	2,356
In the second year	677,238	697,691	—	228,971
In the third to fifth years, inclusive	2,483,810	1,883,493	663,612	841,985
Over five years	11,182,680	477,009	—	—
	15,065,384	3,599,005	663,612	1,073,312
Less: Portion classified as current liabilities	(721,656)	(540,812)	—	(2,356)
Non-current portion	14,343,728	3,058,193	663,612	1,070,956

As at 31 December 2002, the Group's bank debts of HK\$2,244,731,000 with terms governed by a series of bank debt restructuring agreements (the "Bank Debt Restructuring Agreements") are transferable under a trading mechanism contained in these Bank Debt Restructuring Agreements, of which, bank debts amounting to HK\$21,250,000 (2001: HK\$40,429,000) were held by immediate holding company, GDH Limited, which acquired such bank debts through the trading mechanism.

Pursuant to a facility agreement entered into by the Group and certain parties dated 27 November 2002 (the "Refinancing Agreement"), the Group obtained two credit facilities of HK\$12,800 million (the "Refinancing Facility A") and HK\$2,000 million (the "Refinancing Facility B").

As at 31 December 2002, the Group had a bank loan of HK\$11,944 million drawn under the Refinancing Facility A (the "Bank Loan A") that was used to refinance all of the Group's Tranche A Credits and Tranche C Notes; and 75.88% of the Tranche B Credits (note 39). The Bank Loan A bears interest at 3-month HIBOR plus 1.399% per annum and is repayable in 18 consecutive instalments within 10 years. The first repayment date will be in December 2003.

Notes to Financial Statements (continued)

31 December 2002

36. BANK LOANS AND OVERDRAFTS (continued)

In addition, as at 31 December 2002, the Group also had another bank loan of HK\$800 million drawn under the Refinancing Facility B (the "Bank Loan B"). The Bank Loan B bears interest at 3-month or 6-month HIBOR plus 1% per annum and is repayable in 2013.

The Bank Loan A and Bank Loan B are guaranteed by WaterCo on a subordinated basis and secured by pledging the revenue of WaterCo.

As at 31 December 2002, HK\$3,500 million of the Bank Loan A was hedged by a fixed rate swap agreement (note 39(b)(iii)).

37. BONDS

The maturities of the guaranteed floating rate bonds due in 2005 are as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	—	—
In the second year	—	139,008
In the third to fifth years, inclusive	417,085	511,171
	417,085	650,179
Less: Portion classified as current liabilities	—	—
Non-current portion	417,085	650,179

In accordance with an extraordinary resolution passed at a meeting of the holders of the 2002 Bonds (as defined below) held on 13 December 2000 (the "Extraordinary Resolution"), the bond holders approved the restructuring of the terms of the Group's 2002 Bonds (as defined below).

Notes to Financial Statements (continued)

31 December 2002

37. BONDS (continued)

Pursuant to the Extraordinary Resolution, the redemption of the above bonds was rescheduled. Accordingly, the maturity of the above bonds have been classified according to the redemption schedule as contained in a circular dated 16 November 2000 dispatched to the bond holders (the "Bond Circular").

On 7 July 1997, Guangdong Investment Finance (Cayman) Limited ("GIFL"), a wholly-owned subsidiary of the Company, issued US\$130,000,000 1% guaranteed convertible bonds due in 2002 (the "2002 Bonds") which would otherwise have fallen due for repayment on 7 July 2002. The 2002 Bonds were listed on the Luxembourg Stock Exchange. The issue price of the 2002 Bonds was 100% of their principal amount (the "Principal") and the 2002 Bonds carried interest at the rate of 1% per annum payable annually in arrears. The 2002 Bonds carried a right to be converted into fully-paid Ordinary Shares at an initial conversion price of HK\$13.75 per Ordinary Share subject to adjustment in accordance with terms and conditions in the 2002 Bonds. Unless previously redeemed, converted or purchased and cancelled, the 2002 Bonds were redeemable on the due date at 138.748% of the Principal together with accrued interest thereon.

As part of the comprehensive restructuring of the Group, the obligations of GIFL and the Company under the 2002 Bonds were restructured. On 16 November 2000, the directors announced the definitive terms of the proposal to amend the 2002 Bonds as the guaranteed floating rate bonds due in 2005 (the "2005 Guaranteed Bonds"), which subsequently was approved at the meeting of the holders of the 2002 Bonds on 13 December 2000 and became effective on 22 December 2000.

The key aspects of the restructuring of the 2002 Bonds, as contained in the Bond Circular, involved a waiver of the then technical defaults; an extension of the maturity date either to 30 June 2005, or in the event of any further extension, a date falling not later than 30 September 2005; amendments of certain terms and conditions of the 2002 Bonds whereby, inter alia, the rights to convert the 2002 Bonds into the Ordinary Shares were removed and the 2005 Guaranteed Bonds are repaid by way of fixed mandatory partial redemption and additional and/or accelerated mandatory partial redemptions. The 2005 Guaranteed Bonds are guaranteed by the Company and the listing status of 2005 Guaranteed Bonds on the Luxembourg Stock Exchange are maintained.

The 2005 Guaranteed Bonds bear interest, at LIBOR plus a margin of 2.375% per annum until such time as an aggregate principal amount of the "Direct Debt Payments" of HK\$1,017.5 million has been made, thereafter an applicable margin of 2% per annum will be applied. Where the maturity date is extended from 30 June 2005 to 30 September 2005, the applicable margin will revert to 2.375% per annum for the extended period as aforesaid.

Notes to Financial Statements (continued)

31 December 2002

37. BONDS (continued)

A notice of redemption dated 1 April 2003 to the holders of the 2005 Guaranteed Bonds was given by GIFL to redeem the aggregate principal amount outstanding of the 2005 Guaranteed Bonds in whole on 2 May 2003 together with interest accrued to the date of redemption. The aggregate principal amount outstanding of the 2005 Guaranteed Bonds was US\$53,472,388 as at the date of the notice of redemption.

38. FLOATING RATE NOTES

	Group and Company	
	2002 HK\$'000	2001 HK\$'000
Amended 2000 FRNs	22,469	35,024
Amended 2001 FRNs	222,813	347,325
At 31 December	245,282	382,349

The maturities of the above amounts are as follows:

	2002 HK\$'000	2001 HK\$'000
Within one year	—	—
In the second year	—	81,746
In the third to fifth years, inclusive	245,282	300,603
	245,282	382,349
Less: Portion classified as current liabilities	—	—
Non-current portion	245,282	382,349

In accordance with the extraordinary resolutions passed at the respective meetings of the 2000 FRN (as defined below) holders and the 2001 FRN (as defined below) on 13 December 2000, the restructuring terms of the Group's floating rate notes was approved. Accordingly, the maturities of the above floating rate notes have been classified according to the approved redemption schedule contained in the respective circulars dated 21 November 2000 dispatched to the floating rate notes holders (the "FRNs Circulars").

Notes to Financial Statements (continued)

31 December 2002

38. FLOATING RATE NOTES (continued)

On 20 September 1995, the Company issued US\$50,000,000 floating rate notes due in September 2000 (the "2000 FRNs"). The 2000 FRNs were issued in bearer form and in denominations of US\$250,000 each. Interest on the 2000 FRNs was payable semi-annually in arrears and at a rate of LIBOR plus 1.3% per annum. Unless previously redeemed or purchased and cancelled by the Company, the outstanding 2000 FRNs were to have matured in September 2000.

On 15 November 1996, the Company issued US\$100,000,000 floating rate notes due in November 2001 (the "2001 FRNs"). The 2001 FRNs were listed on the Luxembourg Stock Exchange. The 2001 FRNs were issued in bearer form and in denominations of US\$250,000 each. Interest on the 2001 FRNs was payable semi-annually in arrears and at a rate of LIBOR plus 1.4% per annum. Unless previously redeemed or purchased and cancelled by the Company, the outstanding 2001 FRNs would mature in November 2001.

On 22 December 2000, the terms and conditions of the 2000 FRNs and 2001 FRNs were restructured as the US\$50,000,000 floating rate notes due in 2005 (the "Amended 2000 FRNs") and the US\$100,000,000 floating rate notes due in 2005 (the "Amended 2001 FRNs"), respectively, pursuant to the extraordinary resolutions passed by the 2000 FRNs holders and the 2001 FRNs holders on 13 December 2000.

The Amended 2000 FRNs and Amended 2001 FRNs holders ceased to have the right to call for early redemption of all or any part of the Amended 2000 FRNs and Amended 2001 FRNs. The Amended 2001 FRNs maintain listing status on the Luxembourg Stock Exchange.

The key aspects of the restructuring of Amended 2000 FRNs and Amended 2001 FRNs (collectively referred to as the "Amended FRNs"), pursuant to the FRNs Circulars, involved a waiver of the then technical defaults; an extension of the maturity date either to 30 June 2005 or, in the event of any further extension, to a date falling no later than 30 September 2005; together with amendments of certain terms and conditions of the Amended FRNs whereby, inter alia, the Amended FRNs are repaid by way of a fixed mandatory, partial redemption and an additional and/or accelerated mandatory partial redemption.

The Amended FRNs bear interest at LIBOR plus a margin of 2.375% per annum until such time as an aggregate principal amount of Direct Debt Payments of HK\$1,017.5 million have been made, thereafter an applicable margin of 2% per annum will be applied. Where the maturity date is extended from 30 June 2005 to 30 September 2005, the applicable margin shall revert to 2.375% per annum for the extended period as aforesaid. The first interest payments on the Amended 2000 FRNs and Amended 2001 FRNs were on 26 March 2001 and 15 May 2001, respectively, and thereafter interest is payable quarterly in arrears.

Notes to Financial Statements (continued)

31 December 2002

38. FLOATING RATE NOTES (continued)

As at 31 December 2002, the principal amount outstanding of the Amended 2000 FRNs and Amended 2001 FRNs as at 31 December 2002 was US\$2,880,000 (2001: US\$4,490,000) and US\$28,566,000 (2001: US\$44,529,000), respectively. The Amended 2000 FRNs and Amended 2001 FRNs are in denominations of US\$250,000 each.

39. NOTES PAYABLE AND GH HOLDINGS DEBTS

Group

	Notes	2002			2001		
		Current liabilities HK\$'000	Non-current liabilities HK\$'000	Total HK\$'000	Current liabilities HK\$'000	Non-current liabilities HK\$'000	Total HK\$'000
Notes Payable	(a)	—	92,417	92,417	—	144,063	144,063
GH Holdings Debts	(b)	—	1,313,825	1,313,825	—	13,642,807	13,642,807
At 31 December		—	1,406,242	1,406,242	—	13,786,870	13,786,870

Company

Notes Payable at 31 December		—	92,417	92,417	—	144,063	144,063
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(a) The Notes Payable

The Notes Payable were issued by the Company to replace certain bank loans of certain subsidiaries guaranteed by the Company. The Notes Payable bear interest at LIBOR plus a margin of 2.375% per annum until such time as an aggregate principal amount of Direct Debt Payment of HK\$1,017.5 million have been made. Thereafter, an applicable margin of 2% per annum will be applied. Where the maturity date is extended from 30 June 2005 to 30 September 2005, the applicable margin shall revert to 2.375% per annum for the extended period.

Notes to Financial Statements (continued)

31 December 2002

39. NOTES PAYABLE AND GH HOLDINGS DEBTS (continued)**(a) The Notes Payable (continued)**

The maturities of the Notes Payable as at 31 December 2002 were as follows:

	Group and Company	
	2002 HK\$'000	2001 HK\$'000
Within one year	—	—
In the second year	—	30,801
In the third to fifth years, inclusive	92,417	113,262
	92,417	144,063
Less: Portion classified as current liabilities	—	—
Non-current portion	92,417	144,063

(b) The GH Holdings Debts were issued by GH Holdings and consist of three pari passu tranches: Tranche A Credit, Tranche B Credit and Tranche C Notes.*(i) The Tranche A Credit*

The Tranche A Credit is Hong Kong dollar-denominated with a principal amount of HK\$5,448,300,000. The amount bore interest at 8% per annum and was repayable by ten consecutive annual installments within 10 years. The first repayment was made in December 2001. The Tranche A Credit was fully refinanced during the year.

(ii) The Tranche B Credit

The Tranche B Credit is Hong Kong dollar-denominated with a principal amount of HK\$5,448,300,000 which bears interest at 8% per annum and is repayable in full in 2010. During the year, an amount of HK\$4,134,475,000 of the Tranche B Credit was refinanced. As at 31 December 2002, the outstanding Tranche B Credit amounted to HK\$1,313,825,000.

Notes to Financial Statements (continued)

31 December 2002

39. NOTES PAYABLE AND GH HOLDINGS DEBTS (continued)

(b) The GH Holdings Debts were issued by GH Holdings and consist of three pari passu tranches: Tranche A Credit, Tranche B Credit and Tranche C Notes. (continued)

(iii) The Tranche C Notes

The Tranche C Notes were United States dollar (“US\$”) denominated and were translated at an exchange rate of HK\$7.7585 to US\$1, with an equivalent principal amount of HK\$3,103,400,000 in total. Such US dollar debts bore interest at 7% per annum and were repayable in full in 2008. The Tranche C Notes were issued in note form under a trust deed.

On 20 December 2000, GH Holdings entered into certain currency and interest rate swap transactions under a swap agreement (the “Swap Agreement”) to effectively convert GH Holdings’ US dollar obligations under the Tranche C Notes, including both principal and interest, into Hong Kong dollar debts with an interest rate of 8% per annum and at a contracted exchange rate of HK\$7.80 to US\$1.

At 31 December 2001, the carrying amount of the Tranche C Notes was converted into Hong Kong dollars using the exchange rate of HK\$7.80 to US\$1, less any unamortised swap costs, which amounted to HK\$14,328,000 as at 31 December 2001, in respect of the Swap Agreement. The swap cost is amortised on a straight line basis over the period from the trade date to the termination date of the Swap Agreement. During the year, the Tranche C notes were fully refinanced and the then remaining swap cost of HK\$14,328,000 was charged to the profit and loss account as finance cost in the current year due to the full repayment of the Tranche C Notes.

The GH Holdings Debts were guaranteed by WaterCo on a subordinated basis and secured by pledging the water revenue of WaterCo under a “Hong Kong Water Supply Agreement” entered into between the Guangdong Provincial Government and the Hong Kong Government, which had been assigned to WaterCo under a “WaterCo Water Supply Contract” entered into between WaterCo and the Guangdong Provincial Government. In addition, WaterCo had also guaranteed all of the obligations and liabilities of GH Holdings under the Swap Agreement (the “Swap Guarantee”) in respect of US\$400 million of the Tranche C Notes. The amounts payable under the Swap Guarantee were senior in right of repayment to the GH Holdings Debts.

Notes to Financial Statements (continued)

31 December 2002

39. NOTES PAYABLE AND GH HOLDINGS DEBTS (continued)

(b) **The GH Holdings Debts were issued by GH Holdings and consist of three pari passu tranches: Tranche A Credit, Tranche B Credit and Tranche C Notes. (continued)**

(iii) *The Tranche C Notes (continued)*

On 20 December 2002, as a result of the full repayment of Tranche C Note, the Swap Agreement was amended (the "Revised Swap Agreement") at a consideration of HK\$136,266,000 which was charged to the profit and loss account as finance cost in the current year. The Revised Swap Agreement effectively converted the interest of a notional principal of HK\$3,500 million from a floating rate of HIBOR to a fixed interest rate per annum up to 20 December 2012 (Note 36).

In addition to those GH Holdings Debts held by certain subsidiaries of GDH Limited pursuant to the debt restructuring of the GDE Group (as referred to in note 51(ii) to the financial statements), GDH Limited and certain of these subsidiaries further acquired certain GH Holdings Debts from the GH Holdings Debts holders in accordance with the terms of Tranche A and B Credits and Tranche C Notes. As at 31 December 2002, GDH Limited and these fellow subsidiaries did not hold certain Tranche A and B Credits and Tranche C Notes (2001: HK\$1,810,375,000).

40. TRANSFERABLE LOAN INSTRUMENTS

The maturities of the transferable loan instruments (the "TLIs") as at the balance sheet date were as follows:

	Group and Company	
	2002 HK\$'000	2001 HK\$'000
Within one year	—	—
In the second year	—	88,329
In the third to fifth years, inclusive	265,034	324,811
	265,034	413,140
Less: Portion classified as current liabilities	—	—
Non-current portion	265,034	413,140

Notes to Financial Statements (continued)

31 December 2002

40. TRANSFERABLE LOAN INSTRUMENTS (continued)

These TLIs are for all purpose of the “Direct Bank Debts” which represented the principal indebtedness owing by the Company. Accordingly, TLIs bear the same interest and proportion of repayment as the other Direct Bank Debts. Therefore, the maturities of these TLIs have been classified according to the repayment schedule and terms as contained in the Bank Debt Restructuring Agreements.

41. PROVISION FOR BANK LOANS GUARANTEED

	Group and Company	
	2002 HK\$'000	2001 HK\$'000
Balance at 1 January	558,869	750,819
Repayment during the year	(200,348)	(191,950)
Balances at 31 December	358,521	558,869
Repayable:		
Within one year or on demand	—	—
In the second year	358,521	119,486
In the third to fifth years, inclusive	—	439,383
At 31 December	358,521	558,869
Less: Portion classified as current liabilities	—	—
Non-current portion	358,521	558,869

The balances represented the provision for the Group's obligation in respect of certain bank loans of Guangdong Construction Materials (International) Limited (“GCM”, a deconsolidated subsidiary) and GD Timber (a previous wholly-owned subsidiary and a fellow subsidiary of the Company since 22 December 2000 as a result of the Acquisition), which were guaranteed by the Group.

Notes to Financial Statements (continued)

31 December 2002

41. PROVISION FOR BANK LOANS GUARANTEED (continued)

In accordance with the Company's Bank Debt Restructuring Agreement, these bank loans are treated as the Direct Bank Debts of the Company which is obliged to repay these bank loans according to the Company's Bank Debt Restructuring Agreement. Moreover, the creditors of these bank loans may elect at any time to exit the balance sheets of the Borrowers and to become the bank creditors of the Company through the issue of notes payable pursuant to the Company's Bank Debt Restructuring Agreement.

In light of the financial positions of GCM and GD Timber, the directors opined that the cash inflows from them would be minimal. Therefore, the Group fully provided for these bank loans in prior years.

These bank loans bear interest at rates ranging from LIBOR plus a margin of 2.375% per annum to HIBOR plus a margin of 2.375% per annum with such time as an aggregate principal amount of the Direct Debt Payments of HK\$1,017.5 million have been made, and thereafter, an applicable margin of 2% per annum will be applied. The provision for the Company's obligation in respect of these bank loans are repayable according to the repayment schedule contained in the Company's Bank Debt Restructuring Agreement.

Moreover, these bank loans are transferable under a trading mechanism set out in the Company's Bank Debt Restructuring Agreement. As at 31 December 2002, certain bank loans of GCM amounting to HK\$18,408,000 (2001: HK\$31,443,000) were held by immediate holding company, GDH Limited, as a result of its acquisition of these bank loans through such trading mechanisms.

42. DEFERRED TAX

The provision for deferred tax as shown in the balance sheet relates principally to timing differences arising from accelerated capital allowances.

There are no significant potential deferred tax liabilities for which provision has not been made (2001: Nil).

The revaluations of the Group's land and buildings and investment and hotel properties do not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

Notes to Financial Statements (continued)

31 December 2002

43. SHARE CAPITAL**Shares**

	2002 HK\$'000	2001 HK\$'000
Authorised:		
8,000,000,000 ordinary shares of HK\$0.50 each ("Ordinary Shares")	4,000,000	4,000,000
200,000 3¼% preference shares of US\$1.00 each ("Preference Shares")	1,549	1,549
	4,001,549	4,001,549
Issued and fully paid:		
5,162,382,672 (2001: 5,132,982,672) Ordinary Shares	2,581,191	2,566,491
85,949 (2001: 85,949) Preference Shares	666	666
	2,581,857	2,567,157

A summary of movements of the Company's ordinary share capital is as follows:

		Number of ordinary shares in issue	Share capital HK\$'000	Share premium account HK\$'000	Total HK\$'000
	Notes				
At 1 January 2001		4,867,636,920	2,433,818	5,841,351	8,275,169
Redemption of Preference Shares	(i)	2,095,752	1,048	6,706	7,754
Conversion of 2005 Guaranteed Bonds	(ii)	263,250,000	131,625	78,975	210,600
Share issue expenses		—	—	(60)	(60)
At 31 December 2001 and 1 January 2002		5,132,982,672	2,566,491	5,926,972	8,493,463
Share options exercised	(iii)	29,400,000	14,700	917	15,617
At 31 December 2002		5,162,382,672	2,581,191	5,927,889	8,509,080

Notes to Financial Statements (continued)

31 December 2002

43. SHARE CAPITAL (continued)**Shares (continued)**

Notes:

- (i) On 1 June 2001 and 13 June 2001, 1 and 1,000 Preference Shares, respectively, were converted by way of redemption into an aggregate of 2,095,752 Ordinary Shares at a conversion price of HK\$3.7 per Ordinary Share.
- (ii) On 30 November 2001, the Company allotted 263,250,000 Ordinary Shares at HK\$0.80 per Ordinary Share to GDH Limited upon its full exercise of the conversion rights attached to US\$27 million convertible bonds due 2005 (the "2005 CBs").
- (iii) The subscription rights attaching to 29,400,000 share options were exercised at the subscription price of HK\$0.5312 per Ordinary Share (note 44 to the financial statements), resulting in the issue of 29,400,000 Ordinary Shares for a total consideration, before expenses, of HK\$15,617,000.

Preference Shares

A summary of movements of the Company's preference share capital is as follows:

	Number of preference shares in issue	Preference share capital HK\$'000	Preference share premium account HK\$'000	Total HK\$'000
At 1 January 2001	86,950	674	672,888	673,562
Redemption of Preference Shares	(1,001)	(8)	(7,746)	(7,754)
At 31 December 2001 and 2002	85,949	666	665,142	665,808

The Preference Shares, which are listed on the Luxembourg Stock Exchange, carry a fixed, cumulative dividend of 3¹/₄% per annum by reference to the paid-up value of each Preference Share of US\$1,000 which will increase to 9.6% per annum starting from 8 April 2003 on their redemption amount of 139.564% of their paid up value. The Preference Shares carry a right to be converted into fully-paid Ordinary Shares at a conversion price of HK\$3.7 per Ordinary Share (as adjusted with effect from 22 December 2000), subject to adjustment, and at the fixed exchange rate of HK\$7.74654 to US\$1.

Notes to Financial Statements (continued)

31 December 2002

43. SHARE CAPITAL (continued)

Preference Shares (continued)

Unless previously converted, purchased and cancelled or redeemed by the Company in accordance with the terms and conditions of the Preference Shares, the Preference Shares were due to be redeemed at 139.564% of their paid-up value on 7 April 2003 subject to the conditions of the Preference Shares and the provisions of the Companies Ordinance and any other fiscal regulations and other legislation applicable to the Company.

Pursuant to the special resolutions passed on 16 September 2002, certain terms of the Preference Shares were amended (the "Amendments" and the "Additional Amendment", respectively). The Amendments are to provide for a put and a call option between the preference shareholders and GDH Limited at a price equal to 135% of their paid-up value. The Additional Amendment is to amend the terms of the Preference Shares such that for the year from 8 April 2003 to 7 April 2004, they will carry a reduced dividend of 6.60% per annum, on their redemption amount. The Additional Amendment is intended to reduce the amount of dividends (declared and /or undeclared) of the Preference Shares by approximately US\$3.6 million for the year from 8 April 2003 to 7 April 2004.

Further details regarding the Amendments and the Additional Amendments are also set out in the Company's announcements dated 7 August 2002 and 19 August 2002 and in the Company's circular dated 23 August 2002.

Subsequent to the balance sheet date, GDH Limited, under the put option and call option pursuant to the Amendment, acquired all 100% interest in the Company's Preference Shares as at 8 February 2003. The Preference Shares still remain outstanding as at the date of this report.

Assuming the full conversion of the outstanding 85,949 Preference Shares into Ordinary Shares of the Company at the conversion price, the Company would have issued 179,947,936 new Ordinary Shares, representing approximately 3.37% of the then existing issued ordinary share capital of the Company as enlarged by such new Ordinary Shares as at the balance sheet date. Such conversion right has been lapsed on 31 March 2003.

Share options

Details of the Company's share option scheme and the share options issued under the scheme are included in note 44 to the financial statements.

Notes to Financial Statements (continued)

31 December 2002

43. SHARE CAPITAL (continued)

American Depositary Receipt

Citibank, N.A. established an American depositary receipt (“ADR”) Programme for the Ordinary Shares and the registration statement for the ADR programme was declared effective by the U.S. Securities and Exchange Commission on 5 August 1994. A maximum of 16,000,000 American depositary shares, representing 160,000,000 Ordinary Shares, may be traded over-the-counter in the U.S. under the ADR programme. No new shares were issued or are expected to be issued as a result of the ADR programme.

The ADR programme was established to enable the investor base of the Company to be enlarged. The Company has appointed Citibank, N.A. as the depositary for the ADR programme.

Subsequent to the balance sheet date, the ADR Programme has been terminated with effect from 24 February 2003.

44. SHARE OPTION SCHEME

SSAP 34 was adopted during the year, as explained in note 2 and under the heading “Employee benefits” in note 3 to the financial statements. As a result, these detailed disclosures relating to the Group’s share option schemes are now included in the notes to the financial statements. In the prior year, these disclosures were included in the Report of the Directors, as their disclosure is also a requirement of the Listing Rules.

(a) The share option scheme of GDI

On 31 May 2002, the Company terminated its then share option scheme adopted on 2 February 1994 (the “Old GDI Scheme”) and the Company adopted a new share option scheme (the “GDI Scheme”).

Pursuant to the Old GDI Scheme, the exercise price of the share options as determined by the directors would be a price equal to the higher of the nominal value of the Ordinary Shares and an amount not less than 80% of the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant of the option.

Notes to Financial Statements (continued)

31 December 2002

44. SHARE OPTION SCHEME (continued)

(a) The share option scheme of GDI (continued)

In response to the amendments by the Stock Exchange in connection with Chapter 17 (Share Option Schemes) of the Listing Rules, the Company terminated the Old GDI Scheme and then adopted the GDI Scheme on 31 May 2002 as follows:

The purpose of the GDI Scheme is to provide incentives to the participants to contribute to the Group, to enable the Group to recruit and retain quality employees to serve the Group on a long-term basis, to maintain good relationship with its consultants, professional advisers, suppliers of goods or services and customers and to attract human resources that are valuable to the Group. Eligible participants of the GDI Scheme include the Company's directors (including non-executive and independent non-executive directors), employees or executives of the Group, consultants or advisers of the Group, suppliers of goods or services to the Group, customers of the Group, and substantial shareholders of the Group. The GDI Scheme unless otherwise terminated or amended, will remain in force for 10 years from 3 June 2002.

The maximum number of Ordinary Shares which may be issued upon exercise of all outstanding options granted and yet to be granted under the GDI Scheme and any other schemes of the Company must not exceed 30% of the Ordinary Shares in issue from time to time. The total number of Ordinary Shares which may be issued upon exercise of all options to be granted under the GDI Scheme and any other schemes of the Company must not in aggregate exceed 10% of the Ordinary Shares of the Company in issue as at the date of adopting the GDI Scheme, but the Company may seek approval of its shareholders in general meeting to refresh the 10% limit under the GDI scheme. At 31 December 2002, the number of ordinary shares issuable under share options granted under the share option schemes of the Company was 349,348,939, which represented approximately 6.77% of the Company's Ordinary Shares in issue as at that date.

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each eligible participant (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the Ordinary Shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of the Company.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors of the Company. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the Ordinary Shares of the Company in issue at any time and with an aggregate value (based on the closing price of the Company's Ordinary Shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in general meeting of the Company.

Notes to Financial Statements (continued)

31 December 2002

44. SHARE OPTION SCHEME (continued)

(a) The share option scheme of GDI (continued)

An offer of the grant of a share option may be accepted within 14 days from the date of the offer upon payment of a consideration of HK\$1.00 by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors, but must not be less than the higher of (i) the closing price of the Company's Ordinary Shares as stated in the Stock Exchange's daily quotation sheet on the date of grant of the share options, which must be a business day; (ii) the average closing price of the Company's Ordinary Shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant of the share options; and (iii) the nominal value of the Ordinary Shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

The following share options were outstanding under the share option schemes of GDI during the year:

Name or category of participant	Number of share options				At 31 December 2002	Date of grant of share options* (DD/MM/YYYY)	Exercise period of share options (both dates inclusive)# (DD/MM/YYYY)	Exercise price of share options** HK\$	Price of the Company's Ordinary Shares*** At date of grant of options HK\$
	At 1 January 2002	Grant of share options during the year##	Cancelled/lapsed during the year	Exercised during the year					
Directors									
WU Jiesi	12,000,000	—	—	—	12,000,000	01.11.2001	02.05.2002 to 01.05.2007	0.74	0.74
	—	9,000,000	—	—	9,000,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	6,000,000	—	—	6,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
LI Wenyue	12,000,000	—	—	—	12,000,000	10.08.2001	11.02.2002 to 10.02.2007	0.5312	0.67
	—	9,000,000	—	—	9,000,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	6,000,000	—	—	6,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
ZHANG Hui	—	5,000,000	—	—	5,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
CHAN Cho Chak, John	1,000,000	—	—	—	1,000,000	01.11.2001	02.05.2002 to 01.05.2007	0.74	0.74
	—	1,000,000	—	—	1,000,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	1,000,000	—	—	1,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96

Notes to Financial Statements (continued)

31 December 2002

44. SHARE OPTION SCHEME (continued)

(a) The share option scheme of GDI (continued)

Name or category of participant	Number of share options				At 31 December 2002	Date of grant of share options* (DD/MM/YYYY)	Exercise period of share options (both dates inclusive)# (DD/MM/YYYY)	Exercise price of share options** HK\$	Price of the Company's Ordinary Shares***
	At 1 January 2002	Grant of share options during the year##	Cancelled/ lapsed during the year	Exercised during the year					At date of grant of options HK\$
LI Kwok Po, David	1,000,000	—	—	—	1,000,000	01.11.2001	02.05.2002 to 01.05.2007	0.74	0.74
	—	1,000,000	—	—	1,000,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	1,000,000	—	—	1,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
CHENG Mo Chi, Moses	1,000,000	—	—	—	1,000,000	01.11.2001	02.05.2002 to 01.05.2007	0.74	0.74
	—	1,000,000	—	—	1,000,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	1,000,000	—	—	1,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
FUNG, Daniel R.	1,000,000	—	—	—	1,000,000	01.11.2001	02.05.2002 to 01.05.2007	0.74	0.74
	—	1,000,000	—	—	1,000,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	1,000,000	—	—	1,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
YE Xuquan	12,000,000	—	—	—	12,000,000	10.08.2001	11.02.2002 to 10.02.2007	0.5312	0.67
	—	9,000,000	—	—	9,000,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	6,000,000	—	—	6,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
LI Wai Keung	1,500,000	—	—	—	1,500,000	01.11.2001	02.05.2002 to 01.05.2007	0.74	0.74
	—	1,500,000	—	—	1,500,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	1,500,000	—	—	1,500,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
ZHANG Yaping	12,000,000	—	—	—	12,000,000	10.08.2001	11.02.2002 to 10.02.2007	0.5312	0.67
	—	9,000,000	—	—	9,000,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	6,000,000	—	—	6,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
ZHAI Zhiming	—	1,000,000	—	—	1,000,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	1,000,000	—	—	1,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
WANG Man Kwan, Paul	1,500,000	—	—	(500,000)	1,000,000	10.08.2001	11.02.2002 to 10.02.2007	0.5312	0.67
	—	1,500,000	—	—	1,500,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	1,500,000	—	—	1,500,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96

Notes to Financial Statements (continued)

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44. SHARE OPTION SCHEME (continued)

(a) The share option scheme of GDI (continued)

Name or category of participant	Number of share options					Date of grant of share options* (DD/MM/YYYY)	Exercise period of share options (both dates inclusive)# (DD/MM/YYYY)	Exercise price of share options** HK\$	Price of the Company's Ordinary Shares*** At date of grant of options HK\$
	At 1 January 2002	Grant of share options during the year##	Cancelled/lapsed during the year	Exercised during the year	At 31 December 2002				
GU Shunan	1,000,000	—	—	—	1,000,000	01.11.2001	02.05.2002 to 01.05.2007	0.74	0.74
	—	1,000,000	—	—	1,000,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	1,000,000	—	—	1,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
WANG Xiaofeng	—	1,000,000	—	—	1,000,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	1,000,000	—	—	1,000,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
	56,000,000	85,000,000	—	(500,000)	140,500,000				
Others									
Employees	1,490,000	—	(1,490,000)	—	—	09.12.1996	10.06.1997 to 09.06.2002	4.536	5.90
	6,005,000	—	(3,300,000)	—	2,705,000	18.02.1998	19.08.1998 to 18.08.2003	2.892	3.70
	5,350,000	—	(2,500,000)	—	2,850,000	16.03.1998	17.09.1998 to 16.09.2003	3.024	3.75
	129,500,000	—	(10,400,000)	(28,900,000)	90,200,000	10.08.2001	11.02.2002 to 10.02.2007	0.5312	0.67
	1,000,000	—	(1,000,000)	—	—	01.11.2001	02.05.2002 to 01.05.2007	0.74	0.74
	—	14,300,000	(500,000)	—	13,800,000	07.05.2002	08.11.2002 to 07.11.2007	0.814	0.81
	—	67,900,000	—	—	67,900,000	04.12.2002	05.03.2003 to 04.03.2008	0.96	0.96
Consultant	—	31,393,939	—	—	31,393,939	03.06.2002	21.12.2002 to 03.06.2007	0.816	0.81
	143,345,000	113,593,939	(19,190,000)	(28,900,000)	208,848,939				
Total	199,345,000	198,593,939	(19,190,000)	(29,400,000)	349,348,939				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

*** The price of the Company's Ordinary Shares disclosed as at the date of grant of the share options is the closing price on the Stock Exchange on the business day on which the options were granted.

If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

HK\$1.00 is payable by the grantee on acceptance of the offer in respect of the option granted on 4 December 2002.

Notes to Financial Statements (continued)

31 December 2002

44. SHARE OPTION SCHEME (continued)

(b) The share option scheme of GD Brewery

On 31 May 2002, GD Brewery terminated its then share option scheme adopted on 22 July 1997 (the "Old GD Brewery Scheme") and adopted a new share option scheme (the "GD Brewery Scheme").

Pursuant to the Old GD Brewery Scheme, the exercise price of the share options as determined by the directors would be a price equal to the higher of the nominal value of the shares and an amount not less than 80% of the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant of the option.

In response to the amendments by the Stock Exchange in connection with Chapter 17 (Share Option Schemes) of the Listing Rules, GD Brewery terminated the Old GD Brewery Scheme and then adopted the GD Brewery Scheme on 31 May 2002 as follows:

The purpose of the GD Brewery Scheme is to provide incentives to the participants to contribute to the GD Brewery Group, to enable the GD Brewery Group to recruit and retain quality employees to serve the GD Brewery Group on a long-term basis, to maintain good relationship with its consultants, professional advisers, suppliers of goods or services and customers and to attract human resources that are valuable to the GD Brewery Group. Eligible participants of the GD Brewery Scheme include the directors (including non-executive and independent non-executive directors), employees or executives of the GD Brewery Group, consultants or advisers of the GD Brewery Group, suppliers of goods or services to the GD Brewery Group, customers of the GD Brewery Group, and substantial shareholders of the GD Brewery Group. The GD Brewery Scheme unless otherwise terminated or amended, will remain in force for a period of 10 years from 10 January 2003.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be granted under the GD Brewery Scheme and any other schemes of GD Brewery must not exceed 30% of its shares in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the GD Brewery Scheme and any other schemes of GD Brewery must not in aggregate exceed 10% of the shares of GD Brewery in issue as at the date of adopting the GD Brewery Scheme, but GD Brewery may seek approval of its shareholders in general meeting to refresh the 10% limit under the GD Brewery Scheme. As at 31 December 2002, the total number of shares issuable for option granted under the share option schemes of GD Brewery was 21,050,000, which represented approximately 1.68% of the shares of GD Brewery in issue as at that date.

Notes to Financial Statements (continued)

31 December 2002

44. SHARE OPTION SCHEME (continued)

(b) The share option scheme of GD Brewery (continued)

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each participant (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of GD Brewery.

Share options granted to a director, chief executive or substantial shareholder of GD Brewery, or to any of their associates, are subject to approval in advance by the independent non-executive directors of GD Brewery. In addition, any share options granted to a substantial shareholder or an independent non-executive director of GD Brewery, or to any of their associates, in excess of 0.1% of the shares of GD Brewery in issue at any time or with an aggregate value (based on the closing price of GD Brewery's shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in general meeting of GD Brewery.

An offer of the grant of a share option may be accepted within 14 days from the date of the offer upon payment of a consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of GD Brewery, but must not be less than the higher of (i) the closing price of GD Brewery's shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the share options; (ii) the average closing price of GD Brewery's shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of grant of the share options and (iii) the nominal value of GD Brewery's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

Notes to Financial Statements (continued)

31 December 2002

44. SHARE OPTION SCHEME (continued)**(b) The share option scheme of GD Brewery (continued)**

The following share options were outstanding under the share option schemes of GD Brewery during the year:

Name or category of participants	Number of share options			Date of grant of share options* (DD/MM/YYYY)	Exercise period of share options# (DD/MM/YYYY)	Exercise price of share options** HK\$	Price of GD Brewery's share at date of grant of options*** HK\$
	At 1 January 2002	Cancelled during the year	At 31 December 2002				
Director and chief executive of GD Brewery							
In aggregate	17,000,000	—	17,000,000	10.10.2001	11.04.2002 to 10.04.2007	0.383	0.38
	1,200,000	—	1,200,000	20.08.1997	20.02.1998 to 19.02.2003	2.100	2.725
	18,200,000	—	18,200,000				
Employees							
In aggregate	2,650,000	(200,000)	2,450,000	20.08.1997	20.02.1998 to 19.02.2003	2.100	2.725
	5,400,000	(5,000,000)	400,000	10.10.2001	11.04.2002 to 10.04.2007	0.383	0.38
	8,050,000	(5,200,000)	2,850,000				
	26,250,000	(5,200,000)	21,050,000				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in GD Brewery's share capital.

*** The price of GD Brewery's shares disclosed as at the date of grant of the share options is the closing price on the Stock Exchange on the business day on which the options were granted.

If the last day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

Notes to Financial Statements (continued)

31 December 2002

44. SHARE OPTION SCHEME (continued)

(c) The share option scheme of GD Tannery

On 31 May 2002, GD Tannery terminated its then share option scheme adopted on 26 November 1996 (the "Old GD Tannery Scheme") and adopted a new share option scheme (the "GD Tannery Scheme").

Pursuant to the Old GD Tannery Scheme, the exercise price of the share options as determined by the directors would be a price equal to the higher of the nominal value of the shares and an amount not less than 80% of the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of offer of the option.

In response to the amendments by the Stock Exchange in connection with Chapter 17 (Share Option Schemes) of the Listing Rules, GD Tannery terminated the Old GD Tannery Scheme and then adopted the GD Tannery Scheme on 31 May 2002 as follows:

The purpose of the GD Tannery Scheme is to provide incentives to the participants to contribute to the GD Tannery Group, to enable the GD Tannery Group to recruit and retain quality employees to serve the GD Tannery Group on a long-term basis, to maintain good relationship with its consultants, professional advisers, suppliers of goods or services and customers and to attract human resources that are valuable to the GD Tannery Group. Eligible participants of the GD Tannery Scheme include the directors (including non-executive and independent non-executive directors), employees or executives of the GD Tannery Group, consultants or advisers of the GD Tannery Group, suppliers of goods or services to the GD Tannery Group, customers of the GD Tannery Group, and substantial shareholders of the GD Tannery Group. The GD Tannery Scheme unless otherwise terminated or amended, will remain in force for 10 years from 13 January 2003.

The maximum number of shares which may be issued upon exercise of all outstanding options granted and yet to be granted under the GD Tannery Scheme and any other schemes of GD Tannery must not exceed 30% of its shares in issue from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the GD Tannery Scheme and any other schemes of GD Tannery must not in aggregate exceed 10% of the shares of GD Tannery in issue as at the date of adopting the GD Tannery Scheme, but GD Tannery may seek approval of its shareholders in general meeting to refresh the 10% limit under the GD Tannery Scheme. As at 31 December 2002, there was no shares issuable for option granted under the GD Tannery Scheme because there was no share option outstanding at that date.

Notes to Financial Statements (continued)

31 December 2002

44. SHARE OPTION SCHEME (continued)

(c) The share option scheme of GD Tannery (continued)

The total number of shares issued and to be issued upon exercise of the share options granted and to be granted to each participant (including both exercised and outstanding options) in any 12-month period up to the date of grant must not exceed 1% of the shares in issue at the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in general meeting of GD Tannery.

Share options granted to a director, chief executive or substantial shareholder of GD Tannery, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of GD Tannery, or to any of their associates, in excess of 0.1% of the shares of GD Tannery in issue at any time or with an aggregate value (based on the closing price of GD Tannery shares at the date of grant) in excess of HK\$5 million, within any 12-month period, are subject to shareholders' approval in advance in general meeting of GD Tannery.

An offer of the grant of a share option may be accepted within 14 days from the date of the offer upon payment of a consideration of HK\$1 by the grantee. The exercise period of the share options granted is determinable by the directors of GD Tannery, and commences after a certain vesting period and ends on a date which is not later than 10 years from the date of grant of the share options.

The exercise price of the share options is determinable by the directors of GD Tannery, but must not be less than the higher of (i) the closing price of GD Tannery's shares as stated in the Stock Exchange's daily quotation sheet on the date of the grant of the share options, which must be a business day; (ii) the average closing price of GD Tannery's shares as stated in the Stock Exchange's daily quotation sheet for the five business days immediately preceding the date of the grant of the options and (iii) the nominal value of GD Tannery's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meeting.

There were no share options granted to or exercised by the directors of GD Tannery under the GD Tannery Scheme during the year.

Notes to Financial Statements (continued)

31 December 2002

44. SHARE OPTION SCHEME (continued)

(c) The share option scheme of GD Tannery (continued)

The following share options were outstanding under the share option schemes GD Tannery during the year:

Name or category of participant	Number of share options			Date of grant of share options* (DD/MM/YYYY)	Exercise period of share options# (DD/MM/YYYY)	Exercise price of share option** HK\$	Price of GD Tannery's share at date of grant of options*** HK\$
	At 1 January 2002	Lapsed during the year	At 31 December 2002				
Directors of GD Tannery							
In aggregate	500,000	(500,000)	—	15.01.1997	15.07.1997 to 14.01.2002	1.3936	2.05
	500,000	(500,000)	—				
Employees							
In aggregate	3,900,000	(3,900,000)	—	15.01.1997	15.07.1997 to 14.01.2002	1.3936	2.05
	2,000,000	(2,000,000)	—	27.05.1997	27.11.1997 to 26.05.2002	2.2240	3.625
	5,900,000	(5,900,000)	—				
	6,400,000	(6,400,000)	—				

* The vesting period of the share options is from the date of grant until the commencement of the exercise period.

** The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in GD Tannery's share capital.

*** The price of GD Tannery's shares disclosed as at the date of grant of the share options is the closing price on the Stock Exchange on the business day on which the options were granted.

If the day of the option period is not a business day in Hong Kong, the option period expires at 5:01 p.m. on the business day preceding that day (Hong Kong time).

Notes to Financial Statements (continued)

31 December 2002

45. RESERVES

Group	Preference	Ordinary	Ordinary Shares to be issued	Capital reserve	Expansion fund reserve	Exchange fluctuation reserve	Special reserve	Accumulated losses	Total
	share premium account	share premium account							
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note 45(b))				(Note 45(a))		
At 1 January 2001	672,888	5,841,351	—	3,913,564	95,139	(121,692)	145,993	(4,464,602)	6,082,641
Adjustment for reversal of accrued dividend (Note 45(a))	—	—	—	—	—	—	—	49,096	49,096
Transferred from special reserve (Note 45(a))	—	—	—	—	—	—	(145,993)	145,993	—
Conversion of Preference Shares into Ordinary Shares (Note 43(i))	(7,746)	6,706	—	—	—	—	—	—	(1,040)
Share issue expenses	—	(60)	—	—	—	—	—	—	(60)
Net profit for the year	—	—	—	—	—	—	—	285,542	285,542
Conversion of 2005 Guaranteed Bonds into Ordinary Shares (Note 43(ii))	—	78,975	—	—	—	—	—	—	78,975
Transfer from the profit and loss account	—	—	—	—	30,720	—	—	(30,720)	—
Impairment of goodwill arising from acquisition of a subsidiary	—	—	—	15,685	—	—	—	—	15,685
Capitalisation of retained profits and expansion fund reserve as registered capital of a subsidiary (Note 45(c))	—	—	—	21,024	(18,670)	—	—	(2,354)	—
Release on disposal of subsidiaries	—	—	—	(38,450)	(8,447)	53,445	—	32,478	39,026
Exchange adjustments	—	—	—	—	—	475	—	—	475
Additional Shares to be issued as a result of Acquisition	—	—	121,440	(121,440)	—	—	—	—	—
At 31 December 2001	665,142	5,926,972	121,440	3,790,383	98,742	(67,772)	—	(3,984,567)	6,550,340
Reserves retained by:									
Company and subsidiaries	665,142	5,926,972	121,440	3,790,383	90,197	(62,778)	—	(4,096,971)	6,434,385
Associates	—	—	—	—	4,112	(4,994)	—	40,862	39,980
Jointly-controlled entity	—	—	—	—	4,433	—	—	71,542	75,975
At 31 December 2001	665,142	5,926,972	121,440	3,790,383	98,742	(67,772)	—	(3,984,567)	6,550,340

Notes to Financial Statements (continued)

31 December 2002

45. RESERVES (continued)

Company	Preference	Ordinary	Ordinary Shares to be issued	Capital reserve	Exchange fluctuation reserve	Special reserve	Accumulated losses	Total
	share premium account	share premium account						
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
			(Note 45(b))			(Note 45(a))		
At 1 January 2001	672,888	5,841,351	—	1,733,711	(14,813)	145,993	(4,091,813)	4,287,317
Adjustment for reversal of accrued dividend (Note 45(a))	—	—	—	—	—	—	49,096	49,096
Transfer from special reserve (Note 45(a))	—	—	—	—	—	(145,993)	145,993	—
Conversion of Preference Shares into Ordinary Shares (Note 43(ii))	(7,746)	6,706	—	—	—	—	—	(1,040)
Share issue expenses	—	(60)	—	—	—	—	—	(60)
Additional Shares to be issued as a result of the Acquisition	—	—	121,440	—	—	—	—	121,440
Net profit for the year	—	—	—	—	—	—	9,229	9,229
Conversion of 2005 CBs into Ordinary Shares (Note 43(ii))	—	78,975	—	—	—	—	—	78,975
At 31 December 2001 and 1 January 2002	665,142	5,926,972	121,440	1,733,711	(14,813)	—	(3,887,495)	4,544,957
Share option exercised (Note 43(iii))	—	917	—	—	—	—	—	917
Additional Shares to be issued as a result of the Acquisition	—	—	121,440	—	—	—	—	121,440
Net profit for the year	—	—	—	—	—	—	143,201	143,201
At 31 December 2002	665,142	5,927,889	242,880	1,733,711	(14,813)	—	(3,744,294)	4,810,515

- (a) Pursuant to the Articles of Association of the Company, the Company may only pay the fixed dividend on the Preference Shares if the Company has sufficient distributable profits and if the payment of such dividend is declared. Under SSAP 28, as the Company did not have a present obligation to pay the fixed dividend on the Preference Shares as at 31 December 2001, no accrual for such dividend was made during the year. In addition, an adjustment to the opening balance of the Company's and the Group's accumulated losses was made for the reversal of the accrual for the fixed dividend on the Preference Shares of HK\$49,096,000 as at 1 January 2001 in accordance with the transitional provisions of SSAP 28.

Further, pursuant to Article 5(A)(x)(viii) of the Company's Articles of Association, the Company was required to establish a Preference Share Redemption Account and, subject to any applicable laws, transfer into such account annually one-fifth of the redemption premium payable on the maturity of the Preference Shares.

Notes to Financial Statements (continued)

31 December 2002

45. RESERVES (continued)

To date, the Company has not had sufficient distributable profits from which it could credit the appropriate amount to the Preference Share Redemption Account. Therefore, the directors established a special reserve which represented the amount that the Company would have been obliged to transfer to the Preference Share Redemption Account, the Company had sufficient reserves available for the purpose. The amount standing to the credit of the special reserve was only to be transferred to the Preference Share Redemption Account if the Company no longer had accumulated losses (excluding losses attributable to the balance of the provision in the special reserve).

However, due to certain amendments to the Companies Ordinance, the Company may no longer repay the premium on redemption of the Preference Shares from the Preference Share Redemption Account. Therefore, the directors have concluded that such special reserve may no longer assist in the redemption of the Preference Shares and the balance of the amount standing to the credit of such special reserve as at 1 January 2001 has been transferred to accumulated losses during the year ended 31 December 2001.

- (b) As part of the consideration for the Acquisition of GH Holdings (as referred to in note (13) to the financial statements), the Company issued 2.3 billion Ordinary Shares (the "Consideration Shares") to GDH Limited and is committed to issue 66 million Ordinary Shares (the "Additional Shares") for each year of the five years commencing from 22 December 2000 (the "Earnout Period") to GDH Limited subject to the performance of WaterCo meeting the milestones as set out in the Earnout Agreement. Further details of this obligation are set out in the shareholders' circular of the Company in respect of the Acquisition dated 15 September 2000 (the "Acquisition Circular").

WaterCo has already attained the performance milestones under the Earnout Agreement for each of the first four years of the Earnout Period. Accordingly, the Company has an obligation to issue a total of 264 million Additional Shares to GDH Limited in accordance with the Earnout Agreement upon the latter of 21 December 2003 and the completion of the Phase IV Renovation Project (expected to be in mid-2004). The issuance of any further Additional Shares remains however contingent upon WaterCo meeting the performance milestones under the Earnout Agreement in the subsequent year.

As pointed out in the Acquisition Circular, following negotiation with GDH Limited, the Company's board of directors (the "Board") had determined the issue price of each of the Additional Shares which might be issued to be HK\$1.20 and the same as the issue price for each of the Consideration Shares issued to GDH Limited upon the completion of the Acquisition. The issue price of HK\$1.20 as aforesaid (the "Circular Price") which was determined by reference to, in particular, the value of the Dongshen Water Supply Project was considered by both the independent financial adviser advising on the Acquisition and the Board (including the independent non-executive directors) to be fair and reasonable and approved by the shareholders of the Company in a general meeting held on 18 October 2000. Further details of the Circular Price determination and the valuation of Dongshen Water Supply Project are set out in the Acquisition Circular.

Notes to Financial Statements (continued)

31 December 2002

45. RESERVES (continued)

As a result of the SSAP 30 becoming effective and applicable for the year ended 31 December 2001, the Group and the Company are required to record each of the Additional Shares as shares that are to be issued at the prevailing market price of HK\$0.92 per Ordinary Share on the date of the completion of the Acquisition (the "Market Price") instead of the Circular Price which also was the price adopted for the recording of the issue of all the Consideration Shares in 2000. Accordingly, an amount of HK\$242,880,000 (being the value of the aforesaid 264 million Additional Shares to be issued at the Market Price) was credited to the Group's and the Company's reserves as "Ordinary Shares To Be Issued" to reflect the respective obligation of the Group and the Company in respect of those 264 million Additional Shares to be issued by a reduction of the Group's capital reserve on the acquisition of GH Holdings and an increase in the Company's investment cost in GH Holdings both of the same amount as certain contingencies that would affect the amount of the Group's and the Company's purchase consideration for GH Holdings have become probable. It is solely because of the new requirements under SSAP 30 that the above accounting treatment becomes necessary. All the rights and obligations under the Earnout Agreement remain unchanged. The compliance by the Company with all the obligations under the Earnout Agreement to be observed and performed on its part also remains unaffected.

- (c) In 2001, prior to the Group's disposal of its 55.2% interest in Guangzhou Panyu Yue Hai Real Estate Limited ("GZ Panyu"), GZ Panyu capitalised its expansion fund reserve of HK\$23,357,000 and retained profits of HK\$2,943,000 as an increase in registered capital in proportion to the then interests held by the joint venture partners of GZ Panyu. Accordingly, the Group recorded reductions of its share of expansion fund reserve of HK\$18,670,000 and retained profits of HK\$2,354,000 of GZ Panyu by an increase in the consolidated capital reserve of HK\$21,024,000 to reflect an increase in the Group's interest in the registered capital of GZ Panyu as a result of its capitalisation of reserves.

46. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Prior year adjustment

SSAP 15 (Revised) was adopted during the current year. Apart from those detailed in note 2 to the financial statements, the definition of "cash equivalents" under the revised SSAP 15 has been revised from that under the previous SSAP 15, as explained under the heading "Cash equivalents" in note 3 to the financial statements. This has resulted in the pledged bank deposits and balances, which had original maturity of less than three months when acquired and were pledged for certain trade and credit facilities, no longer qualifying as cash equivalents. The amount of cash equivalent in the consolidated cash flow statement at 31 December 2001 has been adjusted to remove the pledged bank deposits and balances amounting to HK\$66,305,000, previously included at that date. The year's movement in pledged bank deposits and balances is now included in cash flows from investing activities and the comparative cash flow statement has been changed accordingly.

Notes to Financial Statements (continued)

31 December 2002

46. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of subsidiaries

	2002 HK\$'000	2001 HK\$'000
Net assets disposed of:		
Fixed assets	4,260	46,313
Properties under development	—	170,410
Investment properties	—	178,480
Trademarks	800	—
Interest in associates	38,528	37,891
Other long term assets	—	2,717
Due from minority shareholders of subsidiaries	—	14,935
Due from a fellow subsidiary	—	37,690
Inventories	4,155	213,169
Receivables, prepayments and deposits	4,409	211,594
Cash and bank balances	1,945	75,437
Trade payables, accruals and other liabilities	(4,783)	(357,199)
Tax payable	—	(7,048)
Due to minority shareholders of subsidiaries	—	(550)
Due to fellow subsidiaries	—	(1,000)
Due to group companies	(121,232)	—
Minority interests	(3,994)	(155,671)
	(75,912)	467,168
Due to group companies disposed of	121,232	—
Release of goodwill	—	(11,865)
Release of exchange fluctuation reserve	(949)	53,512
	44,371	508,815
Gain on disposal of Leather Ware Operation	636	—
Gain on discontinuation of Curtain Wall Operation	—	25,534
Gain/(Loss) on disposal of subsidiaries, net	2,939	(8,481)
	47,946	525,868

Notes to Financial Statements (continued)

31 December 2002

46. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Disposal of subsidiaries (continued)

	2002 HK\$'000	2001 HK\$'000
Satisfied by:		
Cash, net of expenses	27,946	392,850
Increase in other receivables	20,000	—
Increase in amounts due from fellow subsidiaries	—	48,327
Reclassification to interests in associates	—	84,691
	47,946	525,868

An analysis of the net cash inflow of cash and cash equivalents in respect of the disposal of subsidiaries is as follows:

	2002 HK\$'000	2001 HK\$'000
Cash, net of expenses	27,946	392,850
Cash and bank balances disposed of	(1,945)	(75,437)
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	26,001	317,413

The results of subsidiaries disposed of for the year ended 31 December 2002 had no significant impact on the Group's consolidated turnover or profit after tax for the year.

In the prior year, the disposed subsidiaries contributed HK\$331,105,000 to turnover and HK\$53,774,000 to the consolidated profit after tax for the year ended 31 December 2001.

Notes to Financial Statements (continued)

31 December 2002

46. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT (continued)**(c) Cash and cash equivalents**

	2002 HK\$'000	2001 HK\$'000
Cash and cash equivalents in the consolidated balance sheet as at 31 December	1,770,910	1,538,442
Non-pledged time deposits with original maturity of three months or more when acquired	(500)	(1,452)
Bank overdrafts	—	(2,356)
Cash and cash equivalents in the consolidated cash flow statement as at 31 December	1,770,410	1,534,634

47. OPERATING LEASE ARRANGEMENTS**(a) As lessor**

The Group leases its investment properties and certain plant and machinery under operating lease arrangements, with leases negotiated for terms ranging from one to ten years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rental adjustments according to the then prevailing market conditions.

At 31 December 2002, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	292,354	310,490
In the second to fifth years, inclusive	318,659	597,948
After five years	82,150	352,378
	693,163	1,260,816

Notes to Financial Statements (continued)

31 December 2002

47. OPERATING LEASE ARRANGEMENTS (continued)

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to fifty years.

At 31 December 2002, the Group had total future minimum lease payments under non-cancellable operating leases in respect of land and buildings falling due as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Within one year	5,388	8,582
In the second to fifth years, inclusive	5,080	2,627
After five years	17,549	—
	28,017	11,209

The Company did not have significant operating lease arrangements as at the balance sheet date.

48. COMMITMENTS

In addition to the operating lease arrangements detailed in note 47 to the financial statements, the Group had the following commitments at the balance sheet date:

	Group	
	2002 HK\$'000	2001 HK\$'000
(a) Capital commitments in respect of property, plant and equipment:		
Contracted for	8,666	23,504
Authorised, but not contracted for	5,623	942
	14,289	24,446
(b) Other capital commitments other than those listed below:		
Contracted for	—	32,420
Authorised, but not contracted for	76,992	—
	76,992	32,420

Notes to Financial Statements (continued)

31 December 2002

48. COMMITMENTS (continued)

- (c) In accordance with the EPC Contract, as referred to in note 24(c) to the financial statements, the Project Bureau is responsible for funding any overrun cost in the event that the ultimate cost exceeds the projected total cost of RMB4.7 billion.

The cost of RMB4.7 billion will be financed by a non interest-bearing loan facility of RMB2.53 billion, which originates from a loan facility granted by the Hong Kong Government of the SAR to the Guangdong Provincial Government for the Phase IV Renovation Project, and an interest-bearing loan facility of RMB2.17 billion from a group of banks in Mainland China at a rate of 5.184% (2001: 5.589%) per annum. An aggregate amount of RMB1,460 million has been drawn from these banks as at 31 December 2002.

In November 2002, WaterCo obtained a new interest-bearing loan facility of RMB2.17 billion from a bank in Mainland China at a rate of 5.184% per annum. The loan had not been utilised as at 31 December 2002.

- (d) As further explained in note 13 to financial statements, pursuant to the Earnout Agreement, the Company is committed to issue 264 million Additional Shares to GDH Limited on whichever is the later date of 21 December 2003 and the date of completion of the Phase IV Renovation Project. The completion of the Phase IV Renovation Project is scheduled in mid-2004.

As at 31 December 2002, further issuance of the remaining 66 million Additional Shares is contingent on the fulfillment of certain future performance of WaterCo in accordance with the Earnout Agreement.

- (e) Pursuant to WaterCo's Articles of Association, the minority shareholder (also the Company's ultimate holding company, Yue Gang Investment, which directly holds 1% interest in WaterCo) is not entitled to any distributed profits of WaterCo for the first fifteen years of operation and 100% of the distributed profits for that period shall be made to GH Holdings. Starting from the sixteenth year of operations, 1.01% of the distributed profits of WaterCo for the first fifteen years of operation plus simple interest of 8% per annum on the unpaid amount of the distributed profits shall be made to Yue Gang Investment (collectively referred to as the "Deferred Dividend"). Once Yue Gang Investment has received the Deferred Dividend in full, all of the WaterCo's distributable profits are to be distributed to the GH Holdings and Yue Gang Investment according to their respective equity interests in WaterCo during the remaining operating period.

Notes to Financial Statements (continued)

31 December 2002

48. COMMITMENTS (continued)

- (f) The Company, at a consideration of US\$16.76 million, entered into a conditional sale and purchase agreement on 13 February 2001 with the minority shareholder of Zhongshan Power (Hong Kong) Limited ("ZPHK") for the Company's disposal of its entire 95% interest in and its shareholders' loans to ZPHK. As part of the consideration, the compensation for the right to receive certain guaranteed profits in an amount of US\$2.97 million was received in August 2001. In addition, as another condition precedent to the completion of the sale, Zhongshan Power Plant, the contractual joint venture held by ZPHK, is required to fully repay, inter alia, its outstanding loan principal due to Yue Sheng Finance Limited, a wholly-owned subsidiary of the Company, in the sum of US\$17.5 million which was repaid in January 2003. However, as at the date of this report, completion of the transaction still has not taken place. This is because the purchaser has encountered difficulty in fulfilling the remaining conditions precedent and in meeting its payment obligations under the agreement. The parties are currently in negotiation and seeking for a mutually acceptable solution to the matter.
- (g) A preliminary agreement was entered into between the Group and an independent third party on 20 March 2001 for the disposal of the Group's 70% interest in Guang Dong Nanhua Cement Limited held by GCM for a total consideration of RMB30 million. GCM, which was a wholly-owned subsidiary of the Company, was deconsolidated from the Group's financial statements in prior years. When completed, the disposal would result in an increase of the net worth of the Group as full provision had previously been made by the Company in the prior year against its entire interests in the GCM Group as part of the process for the Company to disengage from non-core businesses. Up to the date of the financial statements were approved and authorised for issue by the board of directors, this transaction had not yet been completed.

Notes to Financial Statements (continued)

31 December 2002

49. CONTINGENT LIABILITIES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
(a) Guarantees:				
Guarantees given for banking facilities granted and utilised by:				
— Wholly-owned subsidiaries	—	—	451,960	887,861
— Non wholly-owned subsidiaries	—	—	103,195	153,360
Guarantees given for banking facilities granted to a fellow subsidiary	395	8,791	395	8,791
Guarantees given in respect of mortgage loans made by banks to the Group's purchasers of properties	1,217	34,499	—	—
Guarantees given in respect of mortgage loans made by banks to an associate's purchasers of properties	685	1,012	—	—
	2,297	44,302	555,550	1,050,012

- (b) In March 2001, Yue Sheng Finance Limited ("Yue Sheng"), a wholly owned subsidiary of the Company, commenced legal proceedings in Mainland China to recover two outstanding loans aggregating of HK\$40,000,000 together with interest thereon from the two Chinese parties who were the guarantors of those loans. The hearing of the case has already taken place but the PRC Court has not yet delivered judgment.

After trying without success to dispute the jurisdiction of the PRC Court in the aforesaid proceedings, the two guarantors and the borrower of those two loans commenced legal proceedings in Hong Kong against Yue Sheng and a former subsidiary of the Group in July 2001 seeking, inter alia, a declaration that the plaintiffs were under no legal obligation to repay the two loans and compensation. The case is still in progress.

Notes to Financial Statements (continued)

31 December 2002

49. CONTINGENT LIABILITIES (continued)

As a result of the mediation of the PRC Court, the parties to the PRC proceedings have agreed upon a settlement. As part of the settlement, the parties are seeking to bring the Hong Kong proceedings to an end. The PRC Court will also formalise the settlement once agreement has been reached among the parties to the Hong Kong proceedings for the final disposal of that case. The negotiation regarding the Hong Kong proceedings is still in progress.

Based on legal advice, the directors are of the view that the claim brought against Yue Sheng is without merit and no provision for the claims of the guarantors and the borrower was considered necessary as at 31 December 2002.

- (c) In 2002, legal proceedings were brought against Guangdong (H.K.) Tours Company Limited (“GD Tours”), a wholly-owned subsidiary of the Company, claiming for damages in respect of traffic accidents in Mainland China involving members of a tour group organised by GD Tours. The proceedings are still in progress and the case has now been set down for trial on the issue of liability during the period from 24 November 2003 to 5 December 2003.

During the year and subsequent to the balance sheet date, GD Tours received certain claims in respect of another traffic accident in Mainland China involving members of a tour group organised by GD Tours. However, up to the date of this report, no legal proceedings have been commenced in respect of those claims.

Based on legal advice, the Directors are of the opinion that it is premature to estimate the outcome and hence, no provision has been made in the financial statements on account of the claims.

In any event, according to legal advice, GD Tours is not at fault. It has therefore already denied liability and will continue to vigorously contest all such claims.

- (d) In September 2002, GD Tannery submitted a claim to China International Economic and Trade Arbitration Commission (the “Arbitration Commission”) in Shenzhen, Mainland China against a PRC joint venture partner of a subsidiary of GD Tannery at Qingdao seeking, inter alia, termination of the joint venture agreement and compensation of losses and damages of approximately RMB24,000,000. However, the PRC joint venture partner also applied to the Arbitration Commission in Beijing against GD Tannery claiming for loss of fixed return under the joint venture agreement in question and damages in an aggregate of RMB15,000,000. The two arbitration proceedings are still in progress as at the date of this report.

Notes to Financial Statements (continued)

31 December 2002

49. CONTINGENT LIABILITIES (continued)

In the opinion of the directors of GD Tannery, based on legal advice, it is premature to conclude the likely outcome of the two arbitration proceedings, accordingly, no provision has been made in the financial statements as at 31 December 2002.

- (e) Following the change in senior management of GD Tannery in June 2002, it was discovered that certain former executives (the “Former Executives”) of Nanhai Tannery & Leather Products Co Ltd. (“Nanhai Tannery”) (one of whom was also a former director of GD Tannery) had been involved in certain irregularities. Nanhai Tannery is a wholly owned subsidiary of GD Tannery established in Nanhai, Mainland China.

Upon discovery of the irregularities, an internal audit team of the Company and its immediate holding company, working with the new management of GD Tannery, conducted a preliminary investigation of the irregularities. The investigation revealed that the Former Executives apparently operated a business in parallel to the operations of Nanhai Tannery (the “Parallel Operation”) for their own personal gain.

The incident was reported by GD Tannery to the relevant PRC authorities who have detained the Former Executives and seized documents related to the Parallel Operation for investigation. GD Tannery also instructed its auditors and the PRC lawyers to carry out special investigations with a view to ascertaining the effects of the Parallel Operation on the business of Nanhai Tannery and to advise the management of GD Tannery on possible recourse against the Former Executives.

Based on the findings of the special investigations and having regard to the professional advice received, the directors of GD Tannery are of the opinion that the Parallel Operation should not be incorporated in the financial statements of GD Tannery (and hence, the Group) and that the Parallel Operation appears to have involved various irregularities in its transactions under the applicable PRC law and regulations.

As the investigation of the PRC authorities are still ongoing, it is not possible to ascertain with any degree of reasonable certainty the consequential actions that may be taken by the PRC authorities for the aforesaid irregularities and the existence or otherwise of any penalties and claims. As of the date of this report, no action has been taken against GD Tannery Group and there have been no indications that any adverse actions against it are pending. Accordingly, based on currently available information, no provision has been made in the financial statements for such contingencies.

Notes to Financial Statements (continued)

31 December 2002

50. PLEDGE OF ASSETS

As at 31 December 2002, certain of the Group's fixed assets, investment properties and bank deposits, with a total net book value of HK\$725,157,000 (2001: HK\$1,560,761,000) were pledged to secure general banking facilities granted to the Group.

Included in the above net book value of the pledged assets is an amount of HK\$707,644,000 (2001: HK\$1,494,456,000) related to pledged properties, plant and equipment.

In addition to the above, a property under development in Mainland China held under a long term lease with a carrying amount of HK\$64,000,000 (2001: HK\$64,000,000) as at 31 December 2002 was held by a court in Mainland China as security for the Group's legal proceedings against the recovery from a debtor of the Group.

51. RELATED PARTY TRANSACTIONS

In addition to the transactions set out elsewhere in the financial statements, the Group had the following significant related party transactions during the year.

	Notes	2002 HK\$'000	2001 HK\$'000
Sale of electricity to a minority shareholder of a subsidiary	(i)	(464,371)	(578,001)
Rental income from GDH Limited and certain of its subsidiaries	(ii)	(7,195)	(7,459)
Interest income from a fellow subsidiary, GD Finance	(iii)	(1,766)	(6,207)
General computer and SAP financial system maintenance service fees from GDH Limited and certain of its subsidiaries	(iv)	(2,575)	(1,668)
Property construction costs paid and payable to a fellow subsidiary	(v)	—	44,340
Annual fees to minority shareholders of subsidiaries	(vi)	183	10,735
Property management service fees paid to a fellow subsidiary	(vii)	1,887	2,346
Interest expense to:			
— Minority shareholders of subsidiaries	(viii)	1,679	3,990
— GDH Limited and certain of its subsidiaries	(ix)	157,894	135,533
Engineering facilities and construction costs paid to a fellow subsidiary	(x)	1,679	2,762
Repairs and maintenance service fees paid to a fellow subsidiary	(xi)	613	1,640
Hotel management fees received from fellow subsidiaries	(xii)	1,429	—

Notes to Financial Statements (continued)

31 December 2002

51. RELATED PARTY TRANSACTIONS (continued)

Notes:

- (i) Under an operating agreement between the subsidiary and its minority shareholder dated 23 April 1994, the minority shareholder agreed to purchase all the electricity generated by the subsidiary. The sale of electricity was made at the price stipulated by the relevant government authority in Mainland China. The amount due from the minority shareholder of this subsidiary was HK\$66,442,000 as at 31 December 2002 (2001 : HK\$123,025,000).
- (ii) The rental income arose from the letting of certain of the Group's office premises to GDH Limited and certain of its subsidiaries in accordance with their respective tenancy agreements. As at the balance sheet date, the Group's balances with GDH Limited are set out in note 32 to the financial statements whereas the Group did not have any outstanding balance with these fellow subsidiaries except those disclosed in note 39(b) to the financial statements.
- (iii) Guangdong Finance Co., Limited ("GD Finance") was a wholly-owned subsidiary of the Company before the Company transferred its entire interest in GD Finance to GDH Limited as part of the consideration for the Acquisition in 2000. As at 31 December 2002, GD Finance was a wholly-owned subsidiary of GDH Limited and a fellow subsidiary of the Company. The interest income arose from the Company's loan to GD Finance prior to the Acquisition. Further details of which, including the terms of the loan, are set out in note 31 to the financial statements. In addition, prior to the Acquisition, the Company has, jointly and severally with Guangdong Enterprises (Holdings) Limited ("GDE"), guaranteed certain bank loans to GD Finance at nil consideration. GDE was a previous controlling shareholder of the Company prior to the Acquisition. As at 31 December 2002, the outstanding amounts of these bank loans so guaranteed were HK\$56,067 and US\$43,508 (2001 : HK\$1,358,000 and US\$953,000).
- (iv) The Company provided certain general computer and SAP financial system maintenance services to GDH Limited and certain of its subsidiaries during the year in accordance with the respective agreements between the Company and GDH Limited and these fellow subsidiaries. The Group's balances with GDH Limited as at the balance sheet date are set out in note 32 to the financial statements. The Group did not have any outstanding balance with these fellow subsidiaries at the balance sheet date.
- (v) The construction costs in 2001 arose from the property construction works on GZ Panyu's property development project performed by a fellow subsidiary of the Company in accordance with a contract awarded pursuant to a prior agreement between GZ Panyu and that fellow subsidiary. As at 31 December 2001, the Group did not have any outstanding balance with the fellow subsidiary.

Since January 2002, GZ Panyu has become an associated company of the Group. Accordingly, even if continuing thereafter, the Group's transaction with GZ Panyu would no longer constitute a related party transaction.
- (vi) The annual fees paid by the Group are in accordance with the respective Sino-foreign Co-operative joint venture agreements.
- (vii) The management fees arose from the property management services rendered by a fellow subsidiary of the Company to WaterCo under contracts entered into in accordance with the terms of an agreement made between WaterCo and the fellow subsidiary. At the balance sheet date, the Group did not have any outstanding balance with the fellow subsidiary.
- (viii) The interest expense arose from funds advanced by minority shareholders of the Company's subsidiaries, details of which, including the terms, are disclosed in note 33 to the financial statements.

Notes to Financial Statements (continued)

31 December 2002

51. RELATED PARTY TRANSACTIONS (continued)

- (ix) The interest expense arose from (a) loans advanced by GDH Limited to the Group which amounted to HK\$626,623,000 as at 31 December 2002 (2001: HK\$113,241,000), further details of which are set out in note 32 to the financial statements; and (b) certain bank indebtedness of the Group and GH Holdings Debts amounting to HK\$44,721,420 as at 31 December 2002 (2001: HK\$1,882,247,000) held by GDH Limited and certain of its subsidiaries, further details of which are set out in notes 36, 39(b) and 41 to the financial statements.

- (x) The construction costs arose from the construction of certain engineering facilities for WaterCo by a fellow subsidiary of the Company in accordance with contracts entered into pursuant to an existing agreement between WaterCo and the fellow subsidiary. At the balance sheet date, the Group did not have any outstanding balance with the fellow subsidiary.

- (xi) The service fees arose from the repairs and maintenance works rendered by a fellow subsidiary of the Company on certain of WaterCo's plant and machinery. Such services were rendered in accordance with contracts entered into as required under existing contractual arrangements between WaterCo and the fellow subsidiary. At the balance sheet date, the Group has a balance of HK\$1,150,000 (2001: Nil) due to the fellow subsidiary.

- (xii) The management fees income arose from the hotel management services rendered by a subsidiary of the Group to certain fellow subsidiaries of the Company in accordance with the terms of agreements entered into between that subsidiary and these fellow subsidiaries. At the balance sheet date, the Group did not have any outstanding balance with these fellow subsidiaries.

- (xiii) On 3 June 2002, the Company engaged AMRI Financial Group Limited ("AMRI") for the provision of consultancy services in a project at an aggregate consideration of the grant of 31,393,939 share options of the Company. According to the service contract, additional fees may be paid where the outcome of the project exceeds an agreed target. A director of the immediate holding company of the Company is also a director and shareholder of AMRI.

 Each share option granted to AMRI is exercisable to subscribe for an Ordinary Share at an exercise price of HK\$0.816 commencing from the date of successful completion of the project to 3 June 2007. As at the date of this report, the project had been completed and none of the share options were exercised. Further details of the share options are also set out in note 44(a) to the financial statements.

- (xiv) The cash distribution made by GH Holdings out of its capital contribution reserve and its distributable profits, amounted to HK\$22,795,000 (2001: HK\$23,699,000), was paid or payable to GDH Limited and certain of its subsidiaries as shareholders of GH Holdings. The distribution is in accordance with their respective interests in GH Holdings.

- (xv) A bank loan of GD Tannery amounting to HK\$24,400,000 as at 31 December 2002 (2001: Nil) was secured by certain bank deposits of GDH Limited at nil consideration.

Notes to Financial Statements (continued)

31 December 2002

52. CONNECTED TRANSACTIONS

In addition to the disclosures set out in notes 19, 45(b), 51(ii), 51(iii), 51(iv), 51(v), 51(vii), 51(ix), 51(x), 51(xii) and 51(xiv) above, the other connected transactions disclosed in accordance with Chapter 14 of the Listing Rules are as follows:

- (a) The GD Brewery group made advances to Shenzhen Kingway Brewery Co., Ltd. ("SKB") and Shenzhen Kingway Brewing Co., Ltd. ("SBL"), 95% and 87% owned subsidiaries of GD Brewery, respectively, to finance the construction of plants and purchases of machinery and equipment for their brewing operations.

At the balance sheet date, the amount due from SKB to the GD Brewery group amounted to HK\$178,721,000 (2001: HK\$212,570,000). Included in the amount due from SKB to the GD Brewery group is an unsecured loan of HK\$56,063,000 (2001: HK\$89,860,000) which bears interest at six-month LIBOR plus 0.75% per annum and is repayable within five years from the balance sheet date. The remaining balance of HK\$122,658,000 (2001: 122,710,000) is unsecured, interest-free and is not repayable within one year from the balance sheet date.

At the balance sheet date, the amount due from SBL to the GD Brewery group amounted to HK\$315,227,000 (2001: HK\$340,361,000). Included in the amounts due from SBL to the GD Brewery group are unsecured loans of HK\$168,566,000 (2001: HK\$193,636,000) which bear interest at six months' LIBOR plus 0.75% per annum and are repayable within five years (2001: of which HK\$50,136,000 was repayable within one year and the remaining balance of HK\$143,500,000 was repayable within five years from the balance sheet date). The remaining balance of HK\$146,661,000 (2001: HK\$146,725,000) is unsecured, interest-free and is not repayable within one year.

- (b) At the balance sheet date, outstanding advances of RMB58,000,000 and HK\$917,000 (2001: HK\$917,000) were made by the Company to 廣東天寶(集團)股份有限公司 (Guang Dong Teem (Holdings) Ltd.) ("GD Teem"), a 62.77% owned subsidiary, to finance GD Teem's working capital. Included in the amount due from GD Teem to the Company was an unsecured loan of RMB38,000,000 (2001: Nil) which bore interest at 3.8% per annum and was repaid subsequent to the balance sheet date. The remaining balance is unsecured, interest-free and has no fixed terms of repayment.

Notes to Financial Statements (continued)

31 December 2002

52. CONNECTED TRANSACTIONS (continued)

- (c) At the balance sheet date, outstanding advances of HK\$1,359,000 (2001: HK\$1,200,000) were made by the Company to Honour Million Industries Limited (“HMI”), a 83.6% owned subsidiary, to finance HMI’s working capital. Included in the amount due from HMI to the Company is an unsecured loan of HK\$1,066,000 (2001: HK\$1,066,000) which bears interest at 1.8% above LIBOR per annum and is repayable in accordance with the terms contained in certain bank debt restructuring agreement. The remaining balance of HK\$293,000 (2001: HK\$134,000) is unsecured, interest-free and has no fixed terms of repayment.
- (d) At the balance sheet date, outstanding advances of HK\$34,354,000 (2001: HK\$18,058,000) were made by the Company to Prospect Top Developments Limited (“PTD”), a 51% owned subsidiary, to finance PTD’s working capital. Included in the amounts due from PTD to the Company are unsecured loans of HK\$32,865,000 (2001: HK\$17,576,000), which bear interest at 1.8% (2001: 2%) above LIBOR per annum and are repayable in accordance with the terms contained in the bank debt restructuring agreement of PTD. The remaining balance of HK\$1,489,000 (2001: HK\$482,000) is unsecured, interest-free and has no fixed terms of repayment.
- (e) Advances were made by the Group to finance the working capital of Ningbo Malting Co., Ltd. (“NBM”), a 51% owned subsidiary of PTD. The outstanding balance of the advances amounted to HK\$203,427,000 (2001: HK\$301,905,000) at the balance sheet date. Included in the loans to NBM are unsecured loans of HK\$110,224,000 (2001: HK\$130,580,000) which are repayable in March 2008 and bore interest at 4% per annum up to September 2002 and, thereafter, the applicable interest rate is the average of bank lending rate and deposit rate in Mainland China. The remaining balance is unsecured, interest-free and has no fixed terms of repayment.
- (f) At the balance sheet date, outstanding advances of HK\$219,567,000 (2001: HK\$208,778,000) were made by the Company to Nan Fang Holdings to finance its working capital. Included in the amount due from Nan Fang Holdings is an unsecured loan of HK\$81,184,000 (2001: HK\$81,184,000) which bears interest at 9% per annum and is repayable on demand. The remaining balance of HK\$138,383,000 (2001: HK\$127,594,000) is unsecured, interest-free and has no fixed terms of repayment.
- (g) At the balance sheet date, outstanding advances of RMB49,000,000 were made by the Company to GD Tannery to finance its working capital. The loans are unsecured, bear interest at 3.8% per annum and are repayable within one year.

Notes to Financial Statements (continued)

31 December 2002

52. CONNECTED TRANSACTIONS (continued)

- (h) The Group made advances to Guang Dong Nanhua Cement Limited, a 70% owned subsidiary of GCM, to finance its expansion projects. At the balance sheet date, the outstanding loan balance amounted to HK\$364,344,000 (2001: HK\$364,344,000) was unsecured, bore interest at the bank lending rate prevailing in Mainland China and had no fixed terms of repayment. Full provision was made in the prior years.
- (i) The Company made an advance to Zhongshan Power (Hong Kong) Limited ("ZPHK"), a 95% owned subsidiary of the Company, to finance its investment in a power plant project. At the balance sheet date, the outstanding balance of HK\$162,620,000 (2001: HK\$162,600,000) was unsecured, interest-free and had no fixed terms of repayment. In 2001, the Company and a minority shareholder of ZPHK entered into a conditional agreement in respect of the Company's disposal of its entire interest in ZPHK. Pursuant to the agreement, ZPHK's amount due to the Company will be assigned to a minority shareholder of ZPHK as this forms part of the terms and conditions for the disposal of the Company's interest in ZPHK, details of which are set out in note 48(f). The transaction has not yet been completed at the date of this report.
- (j) The Company's wholly-owned subsidiary made a loan to Zhongshan Power Plant, a contractual joint venture of ZPHK, to finance its expansion of the power plant project. At the balance sheet date, the outstanding balance, amounted to US\$17,500,000 (2001: US\$17,500,000) was secured, bore interest at 14.25% per annum and was repayable by 10 equal annual instalments commencing from April 1998. As a condition precedent for the disposal of the Company's interest in ZPHK, details of which are set out in note 48(f), the aforesaid indebtedness of the Zhongshan Power Plant due to the Group will be repaid in full together with interest.

While the balance of US\$17,500,000 was fully repaid in January 2003, the outstanding loan interest thereof has not yet been settled at the date of this report.

- (k) The Company executed certain guarantees for banking facilities granted to certain of its non wholly-owned subsidiaries for their operations and expansion projects. The tenures of the guarantees range from one to three years from the respective dates of granting. At the balance sheet date, details of the guarantees were as follows:
 - (i) HK\$70,904,000 (2001: HK\$98,742,000) for banking facilities granted to and utilised by Guangdong Parking Limited, a 60% owned subsidiary of the Group;
 - (ii) HK\$32,291,000 (2001: HK\$45,722,000) for banking facilities granted to and utilised by PTD.

At the date of this report, the latter guarantee has been released.

Notes to Financial Statements (continued)

31 December 2002

52. CONNECTED TRANSACTIONS (continued)

- (l) In 2001, 深圳粤海酒店企业有限公司 (Shenzhen Guangdong Hotel Enterprise Ltd.) (“Shenzhen Hotel”), a 99% owned subsidiary of the Company, pursuant to an entrusted loan agreement, advanced an unsecured loan of RMB23,000,000 to GD Teem to finance its working capital. Such loan which bore interest at 4% per annum was matured in April 2002. Upon maturity, the loan was extended to October 2003. At the balance sheet date, the balance of the unsecured loan amounted to RMB23,000,000 and bore interest at 3.8% per annum.

During the year, Shenzhen Hotel, pursuant to an entrusted loan agreement, further advanced an unsecured loan of RMB7,000,000 to GD Teem to finance its working capital. At the balance sheet date, the outstanding balance of such unsecured loan was RMB7,000,000, which bore interest at 3.8% and was fully repaid in April 2003.

- (m) In 2001, Tiannan, a 76.92% owned subsidiary of the Group, pursuant to an entrusted loan agreement, advanced an unsecured loan of RMB40,000,000 to GD Teem to finance its working capital. The unsecured loan which bore interest at 4% per annum was matured in April 2002. The loan was then extended to October 2003 and carried interest at 3.8% per annum. The loan amount of RMB10,000,000 was repaid in March 2003.
- (n) In January 2002, Shenzhen Hotel, pursuant to an entrusted loan agreement, advanced an unsecured loan of RMB8,000,000 to Nanhai Tannery & Leather Products Co., Ltd (“Nanhai Tannery”), a 71.56% owned subsidiary, to finance its working capital. The unsecured loan to Nanhai Tannery bore interest at 4.2% per annum and was fully repaid during the year.
- (o) In April and November 2002, Tiannan, pursuant to entrusted loan agreements, advanced unsecured loans, in an aggregate sum of RMB45,000,000, to GD Teem to finance its working capital. The unsecured loans to GD Teem bore interest at 3.8% per annum. The loan amount of RMB20,000,000 was fully repaid during the year, while the remaining balance is repayable in November 2003.
- (p) In February 2002, the Company advanced an unsecured loan of RMB20,000,000 to GD Teem to finance its working capital. The unsecured loan to GD Teem bore interest at 3.8% per annum and was fully repaid in September 2002.

Notes to Financial Statements (continued)

31 December 2002

52. CONNECTED TRANSACTIONS (continued)

- (q) In January and April 2002, Yue Hai Hotel, Zhuhai, a wholly-owned subsidiary, pursuant to entrusted loan agreements, advanced unsecured loans of RMB12,000,000 and RMB7,000,000 to Nanhai Tannery and GD Teem, respectively, to finance their working capital.

The loan to GD Teem bore interest at 3.8% per annum and was fully repaid in April 2003.

The loan to Nanhai Tannery bore interest at 4.2% per annum and an amount of RMB2,000,000 was repaid during the year. The balance of RMB10,000,000 was subsequently repaid in January 2003.

- (r) Subsequent to the balance sheet date in January and February 2003, Tiannan, pursuant to an entrusted loan agreement, advanced unsecured loans, in an aggregate sum of RMB30,000,000, to GD Teem to finance its working capital. The unsecured loans to GD Teem bore interest at 3.8% per annum. The loan amount of RMB10,000,000 is repayable in January 2004, while the remaining balance is repayable in February 2004.

53. POST BALANCE SHEET EVENTS

Subsequent to the balance sheet date, the Group had the following significant post balance sheet events:

- (a) The Company under the terms of the shareholders agreement of GH Holdings had exercised its first right of refusal in respect of certain GH Holdings shares which certain existing holders wished to transfer. Subsequent to the balance sheet date, the Company further acquired 0.07% interest in GH Holdings at a total consideration of HK\$2,879,000. As a result of these acquisitions, the Group increased its holdings in GH Holdings from 82.42% at the balance sheet date to 82.49% and recognised a negative goodwill of HK\$1,369,000.
- (b) On 28 March 2003, Morefit Limited, an indirect wholly-owned subsidiary of the Company, entered into an agreement with 深圳市寶安區投資管理有限公司 ("SBA"), a 10% equityholder in each of Shenzhen Kingway Brewing Co., Ltd., Shenzhen Kingway Packaging Co., Ltd. and Shenzhen Kingway Utility Co., Ltd. (collectively the "SK Companies"), to acquire SBA's 10% interest in each of the SK Companies together with the shareholder's loans of the SK Companies due to SBA for a total consideration of RMB75,000,000 in cash. Payment of the consideration will be funded by internal resources of the Group.

After the completion of the acquisition, the Group's interest in each of the SK Companies shall be increased from approximately 62.62% to approximately 69.82%.

Notes to Financial Statements (continued)

31 December 2002

53. POST BALANCE SHEET EVENTS (continued)

The agreement constitutes a connected transaction of each of the Company and GD Brewery under the Listing Rules and is subject to the approval of the shareholders voting at a special general meeting of GD Brewery convened to approve the agreement on the terms specified therein. Further details of which are set out in the joint announcement issued by the Company and GD Brewery dated 28 March 2003.

The acquisition has not been completed up to the date of this report and the Group is unable to estimate the goodwill/negative goodwill arising from this acquisition with reasonable accuracy.

- (c) On 9 August 2002, the Group entered into a sale and purchase agreement (the "Agreement") with an independent third party for the disposal of the Group's interest in Central China (Asia) Investment Limited ("Central China"), which has 50% interest in Shandong Huazhong Amber Brewery Co., Ltd. ("Amber Brewery"), for a cash consideration of HK\$40 million. During the year, a non-refundable amount of HK\$20 million was received by the Group and the equity interest in Central China was transferred to the purchaser in accordance with the Agreement. There was no material gain or loss on disposal for the Group. In accordance with the Agreement, the remaining of HK\$20 million should be received on or before 10 March 2003.

In February 2003, a request from the purchaser to extend the payment date of the remaining balance has been raised. To date, the Group are in negotiation with the purchaser for the possible extension of payment date and have not yet come to a conclusion. According to the recent discussions of the contract parties, the remaining balance is expected to be settled on 9 May 2003.

- (d) In January 2003, the GD Tannery Group disposed of a property in Hong Kong at a consideration of HK\$700,000. No significant gain or loss was resulted in this transaction.
- (e) In April 2003, the GD Tannery Group disposed of another property in Hong Kong at a consideration of HK\$11,401,000. A gain of HK\$401,000 (before expenses) was resulted in this transactions.
- (f) In March 2003, a PRC bank agreed to renew a secured bank loan of RMB15,000,000 currently granted to Nanhai Tannery for 6 months. The bank loan is secured by Nanhai Tannery's certain leasehold land and buildings of net book value of HK\$36,000,000 (the "Pledged Properties") as at 31 December 2002. Moreover, the PRC bank also granted an additional bank loan of RMB10,000,000 to Nanhai Tannery in March 2003. The new bank loan is also secured by the Pledged Properties.
- (g) In December 2002 and January 2003, the Group entered into provisional sale and purchase agreements with independent third parties in respect of disposal of certain of its properties at a total cash consideration of HK\$10,220,000. The respective disposal was completed in March and February 2003 and did not result in any significant gain or loss to the Group.

Notes to Financial Statements (continued)

31 December 2002

53. POST BALANCE SHEET EVENTS (continued)

- (h) In February 2003, the Group disposed of all its investment properties in Thailand to an independent third party and received a consideration of Baht 70,000,000. The disposal did not cause any significant gain or loss to the Group.
- (i) As set out in note 48(f), as at the date of this report, completion of the disposal of the Company's interest in Zhongshan Power Plant has remained outstanding. While the negotiation among the parties in that regard is still in progress, it is considered that it will be in the interest of both the Group and Zhongshan Power Plant for the latter to implement a refinancing of certain of its existing debts. So as to facilitate such refinancing, in January 2003, the Company entered into a guarantee agreement with a bank in Mainland China to secure a fixed term loan of US\$18 million borrowed by Zhongshan Power Plant. To better secure the repayment of the bank loan by Zhongshan Power Plant, all its lands, buildings and equipment totalling approximately RMB157.71 million in value (as valued by the bank) are also pledged to the bank by way of security. Further details of the borrowings are set out in note 20 to the financial statements.
- (j) In March 2003, the Group entered into an agreement with an independent third party (the "Purchaser") in respect of the disposal of its entire interest in Guangdong Parking Limited ("GD Parking"), a 60% owned subsidiary of the Company, and the assignment of related intercompany debts at a total consideration of HK\$1. As at 31 December 2002, portion of GD Parking's bank loan guaranteed by the Company was approximately HK\$70.9 million. As an integral part of the transaction, upon completion of the disposal, the Group and the purchaser are to respectively advance to GD Parking, the sum of approximately HK\$7.9 million and HK\$13 million for use by GD Parking to reduce its outstanding bank loan. At the same time, the Company will be released from all its obligations under its guarantee for the GD Parking's bank loan (the portion of the bank loan after the GD Parking's aforesaid prepayment will be HK\$63,000,000).

The transaction has not yet been completed up to the date of this report. There would not result in any significant gain or loss to the Group at the completion date.

- (k) In February 2003, the Group entered into a conditional sale and purchase agreement with GDH Limited in respect of the disposal of its entire shareholdings in GD Brewery, GD Tannery, GD Tours, Supertime and GZ Panyu (the "Disposed Businesses") and the assignment of related net intercompany debts owed to the Group by the Disposed Businesses at a total consideration of approximately HK\$1.45 billion. The transaction was completed on 31 March 2003 and did not result in any significant gain or loss to the Group at the completion date.

Further details of this connected transaction are set out in the Company's announcements dated 26 February 2003 and 31 March 2003.

Notes to Financial Statements (continued)

31 December 2002

53. POST BALANCE SHEET EVENTS (continued)

(k) (continued)

On completion of the disposal of the Disposed Businesses, the financial position of the Group was improved. A summary of the condensed pro forma adjusted consolidated net assets as at 31 December 2002, based on the audited consolidated net assets of the Group at the same date and adjusted as if the completion of the disposal had taken place at that date, is presented below.

	Audited consolidated net assets HK\$'000	Assets and liabilities of the Disposed Businesses* HK\$'000	Consideration for the disposal HK\$'000	Pro forma adjusted consolidated net assets HK\$'000
NON-CURRENT ASSETS				
Fixed assets	9,860,868	1,664,818	—	8,196,050
Investment properties	2,289,280	42,730	—	2,246,550
Interest in associates	423,617	98,853	—	324,764
Interest in a jointly-controlled entity	1,019,064	—	—	1,019,064
Intangible assets	13,628,236	—	—	13,628,236
Others	1,934,276	23,737	—	1,910,539
	29,155,341			27,325,203
CURRENT ASSETS	3,090,825	1,012,074	1,036,190	3,114,941
CURRENT LIABILITIES	(2,696,700)	(658,518)	294,518	(1,743,664)
NET CURRENT ASSETS	394,125			1,371,277
NON-CURRENT LIABILITIES				
Deferred tax	(2,285)	(1,700)	—	(585)
Due to a minority shareholder of subsidiaries	(198,373)	(81,048)	—	(117,325)
Provision for bank loans guaranteed	(358,521)	—	—	(358,521)
Interest-bearing bank and other borrowings	(17,034,079)	(123,308)	120,518	(16,790,253)
	(17,593,258)			(17,266,684)
MINORITY INTERESTS	(2,540,825)	(518,020)	—	(2,022,805)
	(20,134,083)			(19,289,489)
	9,415,383			9,406,991

* Further information of the Disposed Businesses comprising segment information in accordance with SSAP 26 and discontinuing operations in accordance with SSAP 33 is set out in notes 5 and 6 to the financial statements, respectively.

Notes to Financial Statements (continued)

31 December 2002

53. POST BALANCE SHEET EVENTS (continued)

- (l) Following the completion of the Disposed Businesses on 31 March 2003, the Company has served a debt prepayment notice on 1 April 2003 to its bank creditors for the full redemption of its then outstanding bank debts under its debt restructuring agreement amounting to HK\$2.04 billion. The settlement is scheduled on 2 May 2003 when the Company's debt restructuring scheme is going to be ended.
- (m) As an integral part of the Disposed Businesses, the guarantees provided by the Company in respect of certain bank loans of certain Disposed Businesses are required to be released by GDH Limited. Part of such release was completed on 7 April 2003 while the remaining will be completed on 14 April 2003.

54. COMPARATIVE AMOUNTS

As further explained in notes 2 and 46(a) to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain comparative amounts have been reclassified to conform with the current year's presentation.

55. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 11 April 2003.