

TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

1. GENERAL

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

The principal activities of the Group are property trading, property investment, share investment, merchandise manufacturing, trading of garments and commodity concrete, operation of a golf resort complex, restaurant and amusement park.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

In preparing the financial statements, the directors have given careful consideration to the future liquidity of the Group in the light of its net current liabilities of approximately HK\$256 million as at 31st December, 2001. The directors consider that with the continuing support of the Group's bankers in respect of the existing secured banking facilities, the Group will be able to meet in full its financial obligations as they fall due for the foreseeable future. Accordingly, the financial statements have been prepared on a going concern basis.

3. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants. Adoption of these Standards had led to a number of change in the Group's accounting policies and introduced additional and revised disclosure requirements. The revised accounting policies are set out in note 4.

The adoption of these new and revised Standards has resulted in the following changes to the disclosure requirements and the Group's accounting policies.

Leases

In accordance with SSAP 14 (Revised) "Leases", some amendments were introduced to the basis of accounting for operating leases, and to the disclosures specified for the Group's leasing arrangements. These changes have not had any material effect on the results for the current or prior accounting periods and, accordingly, no prior period adjustment has been required. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

Segment Reporting

In the current period, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

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4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties and investments in securities.

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

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

Goodwill

Goodwill (negative goodwill) represents the excess of the cost of an acquisition and the Group's interest in the fair value of the identifiable assets and liabilities of the acquired subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate or a jointly controlled entity is included within the carrying amount of the associate or jointly controlled entity.

Negative goodwill arising on acquisitions is presented as deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

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

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

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

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For the year ended 31st December, 2001

4. SIGNIFICANT ACCOUNTING POLICIES (continued)**Investments in subsidiaries**

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its board of directors or equivalent governing body.

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

Investments in associates

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

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

The results of associates are accounted for by the Company on the basis of dividends received and receivable during the year. In the Company's balance sheet, investment in associates are stated at cost, as reduced by any identified impairment loss.

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

Investments in jointly controlled entities

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

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

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

Revenue recognition

Income from sales of completed properties is recognised upon completion of the sales agreement and when risks and rewards of ownership are passed to the buyers. Income from pre-sale of properties under development is recognised over the course of development, by reference to the value of work completed.

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For the year ended 31st December, 2001

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

Rental income under operating leases is credited to the income statement, on a straight-line basis over the relevant lease term.

Sales of investments are recognised when title to the investments is transferred and the buyer takes legal possession of the investments.

Income from the golf resort complex represents the invoiced value of food and beverage sales, income from membership sales, subscriptions and related services. Sales of food and beverage are recognised when the respective services are rendered while membership sales and subscriptions are recognised when fees are payable by the members.

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

Income from trading derivative financial products is recognised when the contract has been concluded.

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

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

Property, plant and equipment

Property, plant and equipment other than construction in progress are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of property, plant and equipment, other than construction in progress, over their estimated useful lives from the date on which they become fully operational and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Golf resort complex	2% – 20%
Land and buildings in the PRC	over lease term
Amusement equipment	20%
Leasehold improvements	10%
Exhibits, display items, furniture, fittings and costumes	6% – 20%
Lifts, electrical and other equipment	10% – 20%
Trams, coaches and motor vehicles	20% – 30%

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For the year ended 31st December, 2001

4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment

PRC denotes the People's Republic of China other than Hong Kong Special Administrative Region.

No depreciation is provided on the freehold land of the golf resort complex.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

No depreciation is provided on construction in progress until the asset is completed and put into productive use.

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

Properties

(i) Land and buildings in the PRC

Land and buildings in the PRC consist of land use rights and buildings in the PRC. The carrying value includes the cost of land use rights, construction costs, borrowing costs capitalised in accordance with the Group's accounting policy and other direct development expenditure.

(ii) Golf resort complex

The golf resort complex consists of freehold land and buildings erected thereon and is stated at cost to the Group. The carrying value of the golf resort complex includes land cost, construction costs, borrowing costs capitalised in accordance with the Group's accounting policy and other direct development expenditure.

(iii) Construction in progress

Construction in progress represents the direct cost of construction of factory buildings, plant and machinery and other assets and will be reclassified to the appropriate categories of assets on completion.

Impairment

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

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment (continued)

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

Land held for development

Land held for development for purpose not yet determined is stated at cost less any identified impairment loss.

Investment properties

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

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

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

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

Properties under development for sale

Properties under development for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The cost of properties under development for sale includes land cost, construction cost, borrowing costs capitalised and other direct development expenditure.

When the property under development is sold in advance of completion, profit is recognised and calculated on a percentage of completion basis when the construction has progressed beyond the preliminary stage of development. The percentage used is based on the proportion of construction cost incurred up to the balance sheet date to estimated total construction costs.

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)**Interest in leisure-entertainment complex**

The cost of the leisure-entertainment complex includes construction costs, other direct development expenditure, overheads and other associated costs attributable to the development project.

Investments in securities

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

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the period.

Leased assets

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

Foreign currencies

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

On consolidation the financial statements of subsidiaries, associates or jointly controlled entity which are denominated in currencies other than the Hong Kong dollar are translated at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

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TO THE FINANCIAL STATEMENTS

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4. SIGNIFICANT ACCOUNTING POLICIES (continued)

Taxation

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

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Derivative financial products

Derivative financial products consist of foreign exchange contracts, options and futures contracts. Transactions undertaken for trading purposes are marked to market value and included in derivative trading account under current assets or liabilities. The gains or losses arising therefrom are recognised in the income statement as they arise.

Retirement benefits schemes

Retirement benefit costs charged to the income statement represent the Group's contributions payable in respect of the current year to the retirement benefits scheme.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

5. TURNOVER

Turnover represents the aggregate of gross proceeds from sales of properties, merchandise and investments in securities, dividend and interest income, consultancy income, gross rental income, gross income from the operation of the golf resort complex, restaurant and gross income from amusement park during the year as follows:

	2001 HK\$	2000 HK\$
Sales of goods	58,087,943	60,324,903
Share investment	24,889,382	47,900,831
Restaurant income	13,635,152	18,283,020
Gross rental income from investment properties	9,680,129	10,127,628
Golf-resort complex	9,199,022	6,976,510
Sales of properties	28,986,340	31,587,309
Consultancy fee income	–	4,891,591
Dividend income	777,683	827,784
Interest income	1,676,887	716,442
Amusement park	264,135	298,862
	147,196,673	181,934,880

6. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into four operating divisions – securities investment, property development and investment, entertainment and leisure and industries. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Securities investment	–	securities investment.
Property development and investment	–	properties development, investment in properties and property rental.
Entertainment and leisure	–	operation of golf resort complex restaurant and amusement park.
Industries	–	garments manufacturing and commodity concrete manufacturing.

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For the year ended 31st December, 2001

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Segment information about these businesses is presented below.

2001

	Securities investment	Property development investment	and Entertainment and leisure	Industries	Eliminations	Consolidated
	2001	2001	2001	2001	2001	2001
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$

TURNOVER

External sales	25,900,331	38,666,469	24,799,946	57,829,927	–	147,196,673
Inter-segment sales	119,427	–	132,781	–	(252,208)	–
Total turnover	<u>26,019,758</u>	<u>38,666,469</u>	<u>24,932,727</u>	<u>57,829,927</u>	<u>(252,208)</u>	<u>147,196,673</u>

Inter-segment sales are charged at prevailing market rates.

RESULT

Segment results	<u>(34,755,534)</u>	<u>4,829,489</u>	<u>(33,572,462)</u>	<u>3,310,525</u>	<u>–</u>	<u>(60,187,982)</u>
Other revenue	3,087,954	3,104,293	6,011,366	381,997		<u>12,585,610</u>
Loss from operations						(47,602,372)
Profit on disposal of a subsidiary	–	–	3,312,816	–		3,312,816
Loss on disposal of an associate	–	–	(8)	–		(8)
Finance costs						(15,684,906)
Share of results of associates	–	–	–	1,694,551		1,694,551
Share of results of a jointly controlled entity	–	–	91,986	–		<u>91,986</u>
Loss before taxation						(58,187,933)
Taxation	–	(231,962)	(3,472)	(795,610)		<u>(1,031,044)</u>
Loss after taxation						<u>(59,218,977)</u>

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6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

	Securities investment	Property development and Entertainment investment	and leisure	Industries	Consolidated
	2001	2001	2001	2001	2001
	HK\$	HK\$	HK\$	HK\$	HK\$

BALANCE SHEET

ASSETS

Segment assets	63,108,799	227,774,852	355,107,586	57,176,368	703,167,605
Investment in associates	–	–	–	18,113,898	18,113,898
Investment in a jointly controlled entity	–	–	6,237,435	–	6,237,435

Consolidated total assets					<u>727,518,938</u>
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LIABILITIES

Segment liabilities	28,740,974	5,098,319	82,166,670	17,070,922	133,076,885
Borrowings					<u>232,593,133</u>

365,670,018

OTHER INFORMATION

Capital additions	3,200	46,299	601,284	875,933	1,526,716
Depreciation and amortisation	4,198	7,311	10,860,511	4,762,526	15,634,546
Unrealised holding loss on other investments	1,881,072	–	–	–	1,881,072
Impairment loss on equipment	–	–	–	914,058	914,058
Impairment loss on other investments	33,100,000	–	–	–	33,100,000

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TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

2000

	Securities investment	Property development investment	and Entertainment and leisure	Industries	Eliminations	Consolidated
	2000	2000	2000	2000	2000	2000
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$

TURNOVER

External sales	49,070,806	41,455,249	25,991,983	65,416,842	–	181,934,880
Inter-segment sales	–	–	1,382,429	–	(1,382,429)	–
Total turnover	<u>49,070,806</u>	<u>41,455,249</u>	<u>27,374,412</u>	<u>65,416,842</u>	<u>(1,382,429)</u>	<u>181,934,880</u>

Inter-segment sales are charged at prevailing market rates.

RESULT

Segment results	<u>(8,592,043)</u>	<u>1,619,749</u>	<u>(26,651,124)</u>	<u>5,620,762</u>	<u>–</u>	<u>(28,002,656)</u>
Other revenue	992,766	759,995	6,670,045	610,721		<u>9,033,527</u>
Loss from operations						(18,969,129)
Finance costs						(16,949,985)
Share of results of a jointly controlled entity	–	–	(840,326)	–		(840,326)
Impairment loss on the leisure- entertainment complex	–	–	(60,476,789)	–		<u>(60,476,789)</u>
Loss before taxation						(97,236,229)
Taxation	(582,125)	–	135,362	(397,568)		<u>(844,331)</u>
Loss after taxation						<u>(98,080,560)</u>

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For the year ended 31st December, 2001

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

	Securities investment 2000 HK\$	Property development investment 2000 HK\$	and Entertainment and leisure 2000 HK\$	Industries 2000 HK\$	Consolidated 2000 HK\$
BALANCE SHEET					
ASSETS					
Segment assets	572,434,437	182,827,232	59,048,824	35,683,065	849,993,558
Investment in associates	–	5,355,811	–	399,317	5,755,128
Investment in a jointly controlled entity	–	–	6,145,449	–	6,145,449
Consolidated total assets					<u>861,894,135</u>
LIABILITIES					
Segment liabilities	15,438,824	17,012,249	97,663,621	11,898,336	142,013,030
Borrowings					<u>273,317,021</u>
					<u>415,330,051</u>
OTHER INFORMATION					
Capital additions	15,266	–	31,965,393	1,477,096	33,457,755
Depreciation and amortisation	10,992	4,909	12,621,373	5,616,230	18,253,504
Unrealised holding loss on other investments	–	6,879,653	–	–	6,879,653
Impairment loss on equipment	–	–	5,548,000	–	5,548,000
Impairment loss on investment securities	5,000,000	–	–	–	5,000,000
Allowance for advance to an associate	–	3,500,000	–	–	3,500,000
Impairment loss on other investments	–	–	456	–	456

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For the year ended 31st December, 2001

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

Geographical segments

The Group's operations are located in Hong Kong, PRC, Singapore and Malaysia.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services:

	Sales revenue by geographical market		Contribution to profit (loss) from operations	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Hong Kong	45,599,013	62,574,525	(35,170,086)	(7,640,127)
Malaysia	39,290,878	11,742,558	(12,461,024)	(3,873,210)
Singapore	21,618,454	53,272,484	(1,492,741)	(3,821,596)
PRC	19,459,688	18,401,777	(6,113,268)	(5,802,673)
Japan	21,228,640	35,943,536	7,634,747	2,168,477
	147,196,673	181,934,880	(47,602,372)	(18,969,129)

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property, plant and equipment	
	31.12.2001 HK\$	31.12.2000 HK\$	31.12.2001 HK\$	31.12.2000 HK\$
Hong Kong	481,654,347	567,135,534	3,200	15,266
Malaysia	107,482,026	126,222,129	287,261	668,675
Singapore	82,329,230	147,311,816	46,299	20,019,435
PRC	56,053,335	21,224,656	1,189,956	12,754,379
	727,518,938	861,894,135	1,526,716	33,457,755

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7. OTHER REVENUE

Included in other revenue is net income, as follows:

	2001 HK\$	2000 HK\$
Management fee income	–	3,081,275
Profit on disposal of an investment properties	–	247,279
Profit on disposal of property, plant and equipment	68,514	162,562
Bad debts written back	–	241,797
Refund of security sum on termination of licence agreement	–	668,611
Project management fee	–	270,618
Written off of creditors	2,803,859	–
Net exchange gain	5,593,198	992,598
Others	4,120,039	3,368,787
	12,585,610	9,033,527

8. OTHER OPERATING EXPENSES

	2001 HK\$	2000 HK\$
Allowance for bad debt	15,878,598	3,078,581
Unrealised holding loss on other investments	1,881,072	6,879,653
Impairment loss on equipment	914,058	5,548,000
Impairment loss on investment securities	–	5,000,000
Allowance for advance to an associate	–	3,500,000
Compensation claim on project	2,422,530	–
Tax penalty	1,205,294	–
Others	3,502,425	–
	25,803,977	24,006,234

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9. LOSS FROM OPERATIONS

	2001 HK\$	2000 HK\$
Loss from operations has been arrived at after charging (crediting):		
Depreciation		
Owned assets	14,947,585	17,490,321
Assets held under finance leases	686,961	763,183
	15,634,546	18,253,504
Auditors' remuneration	880,560	669,255
Impairment loss on other investments (Note)	33,100,000	456
Staff costs excluded directors' remuneration, included retirement benefits scheme contributions of HK\$1,377,484 (2000: HK\$1,263,586)	17,949,360	19,035,560
Operating lease rental in respect of premises	3,692,072	2,780,442
Rental income from investment properties, less outgoings of HK\$385,066 (2000: HK\$3,391,775)	(9,295,063)	(6,735,853)

Note: During the year, the directors have assessed the recoverable amount of the investment in an information technology company and in view of the continuing operating losses incurred in this company, an impairment loss of HK\$33,100,000 was recognised. The Impairment loss on other investments represents investment cost of HK\$40,600,000 net of waiver of investment cost payable of HK\$7,500,000.

10. FINANCE COSTS

	2001 HK\$	2000 HK\$
Interest on:		
Bank loans and overdrafts wholly repayable within five years	11,487,260	16,431,138
Finance leases	24,825	59,540
Other borrowings	4,172,821	459,307
Total borrowing costs	15,684,906	16,949,985

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11. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

	2001 HK\$	2000 HK\$
(a) Directors' emoluments		
Directors' fees:		
Executive directors	60,000	60,000
Non-executive directors	60,000	60,000
Independent non-executive directors	70,000	53,219
	190,000	173,219
Other emoluments of executive and non-executive directors:		
Salaries and other benefits	918,701	1,075,292
Retirement benefit scheme contributions	26,271	2,190
	944,972	1,077,482
Total emoluments	1,134,972	1,250,701

Emoluments of all the directors were within the band from HK\$Nil to HK\$1 million in both years.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, one (2000: nil) was executive director of the Company and one (2000: one) was non-executive director of the Company whose emoluments are included in the disclosures in above. The emoluments of the remaining three (2000: four) individuals were as follows:

	2001 HK\$	2000 HK\$
Salaries and other benefits	782,874	1,023,471

Emoluments of these staff were within the band from HK\$Nil to HK\$1 million in both years.

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12. TAXATION

	2001 HK\$	2000 HK\$
The charge comprises:		
The Company and Subsidiaries		
Profits tax for the year		
Other jurisdictions	1,031,044	424,630
Prior years		
Hong Kong	—	582,125
Deferred taxation		
Overprovision in prior year	—	(162,424)
	1,031,044	844,331

No Provision for Hong Kong Profits Tax has been provided in the financial statements as the Company and the subsidiaries incurred a tax loss in both years.

Overseas taxation is calculated at the rates prevailing in the relevant jurisdictions.

Details of the provided and unprovided deferred taxation are set out in note 33.

13. DIVIDENDS

No interim dividend was paid during the year and no final dividend was recommended by the directors.

14. LOSS PER SHARE

The calculation of loss per share is based on the loss for the year of HK\$56,675,320 (2000: HK\$92,743,662) basic and on 331,668,905 (2000: on the weighted average number of 313,350,549) ordinary shares in issue during the year.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

15. INVESTMENT PROPERTIES

	THE GROUP
	HK\$
AT VALUATION	
At 1st January, 2001	252,825,685
Currency realignment	(13,910,028)
Revaluation decrease	<u>(19,746,800)</u>
At 31st December, 2001	<u><u>219,168,857</u></u>

Investment properties were revalued at their open market value at 31st December, 2001 by DTZ Debenham Tie Leung for investment properties in Hong Kong and DBS Property Services Pte Ltd. for investment properties in Singapore, on an open market existing use basis. The net revaluation decrease net of minority interest amounted to HK\$14,899,730 (2000: at net revaluation decrease of HK\$15,623,471) has been debited to the investment properties revaluation reserve.

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

The carrying amount of investment properties comprises:

	2001 HK\$	2000 HK\$
In Hong Kong under medium-term leases	46,600,000	44,600,000
Outside Hong Kong under long leases	<u>172,568,857</u>	<u>208,225,685</u>
	<u><u>219,168,857</u></u>	<u><u>252,825,685</u></u>

Property rental income earned during the year was HK\$9,680,129 (2000: HK\$10,127,628). The property held has committed tenants for the next two years.

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

	2001 HK\$	2000 HK\$
Within one year	7,543,448	8,311,375
In the second to fifth year inclusive	<u>5,472,955</u>	<u>6,287,069</u>
	<u><u>13,016,403</u></u>	<u><u>14,598,444</u></u>

NOTES

TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

16. PROPERTY, PLANT AND EQUIPMENT

	Land and building in the PRC held under medium term lease	Construction in progress	Amusement equipment	Golf resort complex in overseas held under freehold land	Lifts, electrical and other equipment	Exhibits, display items, furniture, fittings and costumes	Leasehold improvements	Trams, coaches and motor vehicles	Total
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
THE GROUP									
COST									
At 1st January, 2001	19,618,370	71,758	25,172,586	134,648,323	38,021,481	3,822,648	30,503,340	9,707,660	261,566,166
Additions	-	314,023	-	-	491,105	46,299	-	675,289	1,526,716
Disposals	(95,481)	-	-	-	(71,708)	(300,133)	-	(509,473)	(976,795)
Currency realignment	581,673	2,127	417,365	218,102	749,951	(13,017)	(1,851,990)	245,076	349,287
At 31st December, 2001	20,104,562	387,908	25,589,951	134,866,425	39,190,829	3,555,797	28,651,350	10,118,552	262,465,374
ACCUMULATED DEPRECIATION									
At 1st January, 2001	3,761,423	-	17,682,711	3,582,333	18,105,915	2,749,348	3,309,491	6,652,967	55,844,188
Provided for the year	828,850	-	2,861,202	615,950	3,348,846	268,562	5,865,135	1,846,001	15,634,546
Impairment provision	-	-	-	-	914,058	-	-	-	914,058
Eliminated on disposals	(25,064)	-	-	-	(59,939)	(202,689)	-	(473,717)	(761,409)
Currency realignment	111,524	-	186,993	6,968	322,565	(15,105)	(177,515)	170,532	605,962
At 31st December, 2001	4,676,733	-	20,730,906	4,205,251	22,631,445	2,800,116	8,997,111	8,195,783	72,237,345
NET BOOK VALUES									
At 31st December, 2001	15,427,829	387,908	4,859,045	130,661,174	16,559,384	755,681	19,654,239	1,922,769	190,228,029
At 31st December, 2000	15,856,947	71,758	7,489,875	131,065,990	19,915,566	1,073,300	27,193,849	3,054,693	205,721,978

The net book value of motor vehicles, lifts, electrical and other equipment includes an amount of HK\$3,378,033 (2000: HK\$3,135,463) in respect of assets held under finance leases.

Included in land and building in the PRC held under medium term lease was an amount of HK\$5,421,216 (2000: HK\$5,480,442) represented land use right in the PRC under medium term lease.

Impairment loss of HK\$914,058 was made during the year in respect of other equipments which were used in a business line in which operation is almost totally ceased.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

16. PROPERTY, PLANT AND EQUIPMENT (continued)

	Furniture and fittings
	HK\$
<hr/>	
THE COMPANY	
COST	
At 1st January, 2001	15,266
Additions	3,200
	<hr/>
At 31st December, 2001	18,466
	<hr/>
ACCUMULATED DEPRECIATION	
At 1st January, 2001	10,992
Provided for the year	4,198
	<hr/>
At 31st December, 2001	15,190
	<hr/>
NET BOOK VALUE	
At 31st December, 2001	3,276
	<hr/> <hr/>
At 31st December, 2000	4,274
	<hr/> <hr/>

17. LAND HELD FOR DEVELOPMENT

	THE GROUP	THE COMPANY
	HK\$	HK\$
<hr/>		
COST		
At 1st January, 2000	33,766,830	1,994,382
Currency realignment	35,404	–
	<hr/>	<hr/>
At 1st January, 2001	33,802,234	1,994,382
Currency realignment	20,230	–
	<hr/>	<hr/>
At 31st December, 2001	33,822,464	1,994,382
	<hr/> <hr/>	<hr/> <hr/>

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TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

17. LAND HELD FOR DEVELOPMENT (continued)

An analysis of the Group's and Company's land held for development is as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Land in Hong Kong held under medium-term lease	2,734,382	2,734,382	1,994,382	1,994,382
Freehold land outside Hong Kong	31,088,082	31,067,852	—	—
	33,822,464	33,802,234	1,994,382	1,994,382

Included in land held for development in Hong Kong held under medium-term lease is a piece of land with a book value of HK\$1,994,382 (2000: HK\$1,994,382), the title to which has not been transferred to the Company and is still registered in the name of the vendor companies which are controlled by certain directors as trustee for the Company.

18. INTEREST IN LEISURE-ENTERTAINMENT COMPLEX

	THE GROUP	
	2001 HK\$	2000 HK\$
Transferred from property, plant and equipment, at net book value	—	357,157,672
Additional cost incurred to date	—	9,310,113
	—	366,467,785
Less: Deposits received	—	(67,933,800)
Currency realignment	—	(7,957,196)
Impairment loss	—	(153,576,789)
	—	137,000,000
Reclassification to other receivables	—	(137,000,000)
Assignment during the year	137,000,000	—
	137,000,000	—

In 1994, the Group entered into a building agreement with Singapore Leisure Industries Pte. Ltd. ("SLI") under which the Group would construct on land owned by SLI the building structure of a leisure-entertainment complex, known as the "Tang Dynasty City", in exchange for a 30 years lease to operate the leisure-entertainment complex.

TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

18. INTEREST IN LEISURE-ENTERTAINMENT COMPLEX (continued)

In 1996, the Group entered into a sale and purchase agreement with Admiralty Leisure Pte. Ltd. ("AL") to sell in three phases its interests in the building agreement in respect of the leisure-entertainment complex. At this time, a new building agreement with precisely the same terms, was entered into between AL and SLI. Then in 1997, the Group entered into a deed of assignment with AL whereby AL agreed to assign to the Group, in certain circumstances, all the rights, benefits and advantages in connection with the interest in building agreement and leisure-entertainment complex.

In 2000, the Group completed the final sale to AL for a net receivable of HK\$137 million resulting in the recognition of an impairment loss of HK\$153,576,789.

During 2001, AL was put into liquidation. Under the terms of the deed of assignment referred to above, the failure of AL to repay the receivable to the Group, constituted a circumstance triggering the assignment of the interests in the building agreement and the leisure-entertainment complex to the Group. Such interest has accordingly, been included in the Group's balance sheet as at 31st December, 2001 at an amount equal to the net consideration of HK\$137 million.

Following the liquidation of AL, the leisure-entertainment complex was handed back to SLI under a court order. Against this background, the directors are currently negotiating with SLI the terms of a revised building agreement, and in particular, regarding the usage of the leisure-entertainment complex and the lease term. The Directors are of the opinion that the Group's interest in the leisure-entertainment complex is worth at least its carrying value.

19. INVESTMENTS IN SUBSIDIARIES

	THE company	
	2001 HK\$	2000 HK\$
Unlisted shares, at cost	152,190,782	152,190,786
Amounts due from subsidiaries	544,632,516	547,794,321
	696,823,298	699,985,107
Less: Impairment loss and allowance against amount due	(477,689,080)	(300,643,517)
	219,134,218	399,341,590

The amounts due from subsidiaries are unsecured and interest-free. In the opinion of directors, no repayment will be demanded within the next twelve months. Accordingly, the amount is classified as non-current asset.

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TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

19. INVESTMENTS IN SUBSIDIARIES (continued)

Particulars of the principal subsidiaries of the Company at 31st December, 2001 are as follows:

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Direct subsidiary				
Brentford Investments Inc.	Republic of Liberia/ Hong Kong	2 ordinary shares of US\$100 each	100%	Share investment
Cathay Motion Picture Studios Limited*	Hong Kong/ Hong Kong	30,000 ordinary shares of HK\$100 each	100%	Property investment
China Entertainment (Jiangsu) Development Ltd.*	Hong Kong/ Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding
Far East Art and Cultural Corporation Limited	Hong Kong/ Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding
Far East Holdings China Limited	Hong Kong/ Hong Kong	2 ordinary shares of HK\$1 each	100%	Investment holding
Goldtrack Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	90%	Investment holding
Goodway Holdings Limited	British Virgin Islands/ Hong Kong	1 ordinary share of US\$1 each	100%	Investment holding
HealthOnline.com Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Inactive
Kwong Ming Amusement Company, Limited	Hong Kong/ Hong Kong	10 ordinary shares of HK\$100 each and 4,480 non-voting deferred shares of HK\$100 each	100%	Property investment

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Direct subsidiary (continued)				
Laichi Kok Amusement (Haimen) Company Limited*	PRC/PRC	RMB20,935,332#	100%	Operation of amusement park
Peterfame Company Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property investment
Proffess World Investments Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Property investment
RFC Far East Ltd.*	British Virgin Islands/ Singapore	10 ordinary shares of US\$1 each	100%	Investment holding
Successful Investments Limited*	British Virgin Islands/ Malaysia	100 ordinary shares of US\$1 each	100%	Investment holding
Tang City Properties Pte. Ltd.*	Singapore/ Singapore	100,000 ordinary shares of S\$1 each	90%	Property trading and investment
Tang Dynasty City Pte. Ltd.*	Singapore/ Singapore	25,000,000 ordinary shares of S\$1 each	95%	Construction, development and management of a leisure- entertainment complex in Singapore

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TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Indirect subsidiary				
Far East Holdings International Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Inactive
Far East Holdings (Jiangsu) Limited	Hong Kong/ Hong Kong	10,000 ordinary shares of HK\$1 each	100%	Investment holding
FEH Club Management and consultancy Sdn. Bhd.*	Malaysia/ Malaysia	100 ordinary shares of RM 1 each	100%	Inactive
FEH Land & Leisure Sdn. Bhd.*	Malaysia/ Malaysia	1,000,000 ordinary shares of RM1 each	100%	Investment holding
FEH Resources Sdn. Bhd.*	Malaysia/ Malaysia	100 ordinary shares of RM1 each	100%	Inactive
FEH Strategic Investment Pte. Ltd.*	Singapore/ Singapore	10 ordinary shares of S\$1 each	90%	Property trading and investment
Jiangsu Bang Bang Silky Fashion Manufacturer Company Limited*	PRC/PRC	US\$3,940,000#	51%	Garment manufacturing
RFC Far East Cafe Pte. Ltd.*	Singapore/ Singapore	100,000 ordinary shares of S\$1 each	100%	Cafeteria operations and catering
Seremban Golf Resort Berhad*	Malaysia/ Malaysia	13,598,400 ordinary shares of RM1 each	53%	Operation of a recreational golf and family resort and property development

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

19. INVESTMENTS IN SUBSIDIARIES (continued)

Name of subsidiary	Place/country of incorporation or registration/ operations	Paid up issued/ registered share capital	Proportion of nominal value of issued capital/ registered capital held by the Company	Principal activities
Indirect subsidiary (continued)				
Suzhou Goldtract Commodity Concrete Company Limited*	PRC/ PRC	US\$1,840,000#	63%	Production of commodity concrete
Tang City Parkway Pte. Ltd.*	Singapore/ Singapore	10 ordinary shares of S\$1 each	90%	Property investment
Tang Dynasty Catering Pte. Ltd.*	Singapore/ Singapore	100,000 ordinary shares of S\$1 each	95%	Inactive
TD Consultants Pte. Ltd.*	Singapore/ Singapore	100 ordinary shares of S\$1 each	95%	Inactive

* The financial statements of these companies have been audited by firms other than Deloitte Touche Tohmatsu.

Registered capital

None of the subsidiaries had any debt capital outstanding at the end of the year.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or 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 THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

20. INVESTMENTS IN ASSOCIATES

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Unlisted shares, at cost	–	–	16,020,034	–
Share of net assets	18,113,898	399,317	–	–
Amount due from an associate	–	13,606,410	–	–
Less: Allowance for bad debt	–	(8,250,599)	–	–
	<u>18,113,898</u>	<u>5,755,128</u>	<u>16,020,034</u>	<u>–</u>

Particulars of the principal associates of the Company at 31st December, 2001, which are all incorporated, are as follows:

Name of associate	Place of incorporation/ operation	Proportion of nominal value of issued capital held by the Group	Principal activities
Chinasoft International Limited	Cayman Islands/ Hong Kong	36.85%	Information technology

The Group's share of results of associates for the year was based upon their unaudited management accounts made up to 31st December, 2001.

The above table lists the associates of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other associates would in the opinion of the directors result in particulars of excessive length.

The results and financial position of the associates is considered not material to the consolidated financial statements of the Group.

21. INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2001 HK\$	2000 HK\$
Share of net assets less impairment loss	<u>6,237,435</u>	<u>6,145,449</u>

At 31st December, 2001, the Group had 65% interest in a jointly controlled entity, Wuxi Cheerman Recreation Centre Co. Ltd., ("Wuxi"), a jointly controlled entity registered and operated in the PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

21. INVESTMENT IN A JOINTLY CONTROLLED ENTITY (continued)

The Group's share of results of a jointly controlled entity was based upon its unaudited management accounts made up to 31st December, 2001.

22. INVESTMENTS IN SECURITIES

	Other investments		Investment securities		Total	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
THE GROUP						
Equity securities:						
Listed in						
Hong Kong	3,150,926	1,717,854	46,803,769	46,803,769	49,954,695	48,521,623
Overseas	7,466,926	16,166,921	–	–	7,466,926	16,166,921
Unlisted in						
Hong Kong	–	40,600,000	–	–	–	40,600,000
	10,617,852	58,484,775	46,803,769	46,803,769	57,421,621	105,288,544
Market value of equity securities:						
Listed in						
Hong Kong	3,150,926	1,717,854	17,577,752	18,793,481	20,728,678	20,511,335
Overseas	7,466,926	16,166,921	–	–	7,466,926	16,166,921
	10,617,852	17,884,775	17,577,752	18,793,481	28,195,604	36,678,256
Carrying amount analysed for reporting purposes as:						
Current	10,617,852	17,884,775	–	–	10,617,852	17,884,775
Non-current	–	40,600,000	46,803,769	46,803,769	46,803,769	87,403,769
	10,617,852	58,484,775	46,803,769	46,803,769	57,421,621	105,288,544

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TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

22. INVESTMENTS IN SECURITIES (continued)

	Other investments	
	2001 HK\$	2000 HK\$
THE COMPANY		
Equity securities:		
Listed in		
Hong Kong	3,070,926	1,080,354
Overseas	7,025,516	15,648,154
	<u>10,096,442</u>	<u>16,728,508</u>
Market value of equity securities:		
Listed in		
Hong Kong	3,070,926	1,080,354
Overseas	7,025,516	15,648,154
	<u>10,096,442</u>	<u>16,728,508</u>

23. INVENTORIES

	THE GROUP	
	2001 HK\$	2000 HK\$
Raw materials	2,432,702	1,870,411
Work in progress	1,451,189	1,006,754
Finished goods	825,523	1,053,542
	<u>4,709,414</u>	<u>3,930,707</u>

All the inventories at 31st December, 2001 are carried at cost.

Included in 2000 inventories were raw materials of HK\$1,375,526, work in progress of HK\$1,006,754 and finished goods of HK\$987,377 which were carried at net realisable value.

The cost of inventories recognised as an expense during the year was HK\$54,444,505 (2000: HK\$44,968,921).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

24. PROPERTIES UNDER DEVELOPMENT FOR SALE

	THE GROUP	
	2001	2000
	HK\$	HK\$
Held under freehold land outside Hong Kong	14,809,002	19,536,241

Included herein is loan interest capitalised of HK\$754,119 (2000: HK\$1,354,108).

25. TRADE AND OTHER RECEIVABLES

For sales of goods, the group has a policy of allowing an average credit period of 30-90 days to its trade customers. Rentals receivable from tenants and service income receivable from customers are payable on presentation of invoices. The ageing analysis of trade receivable is as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
0 – 30 days	3,566,262	17,716,367
31 – 60 days	2,436,456	4,577,417
61 – 90 days	290,840	527,347
Over 90 days	8,945,189	5,885,728
Total trade receivables	15,238,747	28,706,859
Other receivables	15,032,572	152,378,731
	30,271,319	181,085,590

26. TRADE AND OTHER PAYABLES

The ageing analysis of trade payables is as follows:

	THE GROUP	
	2001	2000
	HK\$	HK\$
0 – 30 days	2,705,819	6,038,644
31 – 60 days	1,485,575	316,710
61 – 90 days	379,064	1,163,682
Over 90 days	16,845,300	39,335,316
Total trade payables	21,415,758	46,854,352
Other payables	76,902,198	65,928,412
	98,317,956	112,782,764

NOTES

TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

27. AMOUNTS DUE TO DIRECTORS

The amounts due to directors are unsecured, interest-free and are repayable on demand.

28. AMOUNTS DUE TO RELATED COMPANIES

The amounts due to related companies are unsecured, interest-free and repayable on demand.

The related companies are controlled by certain directors of the Company.

29. OBLIGATIONS UNDER FINANCE LEASES

THE GROUP	Minimum leases payments		Present value of minimum lease payments	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Amounts payable under finance leases				
Within one year	790,086	766,771	762,446	743,970
In the second to fifth year inclusive	371,957	405,787	301,149	321,241
	1,162,043	1,172,558	1,063,595	1,065,211
Less: future finance charges	(98,448)	(107,347)	-	-
Present value of lease obligations	1,063,595	1,065,211	1,063,595	1,065,211
Less: amount due for settlement within 12 months (shown under current liabilities)			(762,446)	(743,970)
Amount due for settlement after 12 months			301,149	321,241

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

30. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Bank overdrafts	4,122,939	12,422,676	—	—
Bank loans	223,069,134	259,829,134	24,400,000	43,205,815
Other loans	4,337,465	—	4,337,465	—
	<u>231,529,538</u>	<u>272,251,810</u>	<u>28,737,465</u>	<u>43,205,815</u>
Secured	217,308,251	251,733,829	18,737,465	33,205,815
Unsecured	14,221,287	20,517,981	10,000,000	10,000,000
	<u>231,529,538</u>	<u>272,251,810</u>	<u>28,737,465</u>	<u>43,205,815</u>
The maturity of the bank loans, other loans and overdrafts is as follows:				
Within one year	198,813,157	235,162,271	19,137,465	28,805,815
More than one year, but not exceeding two years	30,846,883	27,489,539	4,800,000	4,800,000
More than two years, but not exceeding five years	1,869,498	9,600,000	4,800,000	9,600,000
	<u>231,529,538</u>	<u>272,251,810</u>	<u>28,737,465</u>	<u>43,205,815</u>
Amounts due within one year shown under current liabilities	<u>(198,813,157)</u>	<u>(235,162,271)</u>	<u>(19,137,465)</u>	<u>(28,805,815)</u>
Amounts due after one year	<u>32,716,381</u>	<u>37,089,539</u>	<u>9,600,000</u>	<u>14,400,000</u>

NOTES

TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

31. SHARE CAPITAL

	Number of ordinary shares of HK\$1 each	Nominal value HK\$
Authorised		
At 31st December, 2000 and 2001	<u>700,000,000</u>	<u>700,000,000</u>
Issued and fully paid		
At 1st January, 2000	298,568,905	298,568,905
Issued of shares	<u>33,100,000</u>	<u>33,100,000</u>
At 31st December, 2000 and 31st December, 2001	<u>331,668,905</u>	<u>331,668,905</u>

There was no change in the authorised share capital of the Company for each of the two years ended 31st December, 2001.

On 21st July, 2000, 33,100,000 ordinary shares of HK\$1 each were issued at par value for acquisition of an investment, the new shares rank pari passu with the existing shares in all respects.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

32. RESERVES

	Share premium HK\$	Investment property revaluation reserve HK\$	Exchange reserve HK\$	Accumulated losses HK\$	Total HK\$
THE GROUP					
At 1st January, 2000	282,892,010	11,852,784	(13,321,100)	(138,646,563)	142,777,131
Released on disposal	–	(417,731)	–	–	(417,731)
Net revaluation increase					
less minority interests	–	15,623,471	–	–	15,623,471
Loss for the year	–	–	–	(92,743,662)	(92,743,662)
Exchange differences					
arising on translation of overseas subsidiaries	–	–	(8,701,631)	–	(8,701,631)
At 1st January, 2001	282,892,010	27,058,524	(22,022,731)	(231,390,225)	56,537,578
Net revaluation decrease					
less minority interests	–	(14,899,730)	–	–	(14,899,730)
Loss for the year	–	–	–	(56,675,320)	(56,675,320)
Exchange differences					
arising on translation of overseas subsidiaries	–	–	(5,360,742)	–	(5,360,742)
At 31st December, 2001	<u>282,892,010</u>	<u>12,158,794</u>	<u>(27,383,473)</u>	<u>(288,065,545)</u>	<u>(20,398,214)</u>
THE COMPANY					
At 1st January, 2000	282,892,010	–	–	(148,114,879)	134,777,131
Loss for the year	–	–	–	(83,766,041)	(83,766,041)
At 1st January, 2001	282,892,010	–	–	(231,880,920)	51,011,090
Loss for the year	–	–	–	(178,229,143)	(178,229,143)
At 31st December, 2001	<u>282,892,010</u>	<u>–</u>	<u>–</u>	<u>(410,110,063)</u>	<u>(127,218,053)</u>

The retained profits of the Group include HK\$2,093,750 (2000: accumulated loss of HK\$399,191) retained by associates of the Group and a accumulated loss of HK\$748,340 (2000: HK\$840,326) retained by jointly controlled entities.

The Company has no distributable reserves as at 31st December, 2001 and 2000.

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TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

33. DEFERRED TAXATION

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
At 1st January	238,496	399,555	–	–
Transfer to current taxation	–	(162,424)	–	–
Currency realignment	464	1,365	–	–
At 31st December	238,960	238,496	–	–

At the balance sheet date, the major components of the deferred tax liabilities (assets), provided and unprovided, are as follows:

	Provided		Unprovided	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
THE GROUP				
Tax effect of timing differences because of:				
Excess of tax allowances over depreciation	238,960	238,496	780,157	356,053
Unutilised tax losses	–	–	(35,253,348)	(28,955,335)
	238,960	238,496	(34,473,191)	(28,599,282)
THE COMPANY				
Tax effect of timing differences because of:				
Shortfall tax allowances over depreciation	–	–	(259)	(387)
Unutilised tax losses	–	–	(11,910,565)	(12,886,694)
	–	–	(11,910,824)	(12,887,081)

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

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

33. DEFERRED TAXATION

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

	THE GROUP	
	2001	2000
	HK\$	HK\$
Tax effect of timing differences because of:		
Excess of tax allowances over depreciation	424,104	716,650
Tax losses arising	(6,117,601)	(15,425,707)
Changes in tax rates	(180,412)	180,412
	<u>(5,873,909)</u>	<u>(14,528,645)</u>

Deferred taxation has not been provided on increase arising on the revaluation of investment properties as profit or loss arising on the disposal of these assets would not be subject to taxation. Accordingly, increase arising on revaluation does not constitute a timing difference for tax purpose.

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TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

34. RECONCILIATION OF LOSS BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$	2000 HK\$
Loss before taxation	(58,187,933)	(97,236,229)
Share of results of associates	(1,694,551)	–
Share of results of a jointly controlled entity	(91,986)	840,326
Interest expenses	15,684,906	16,949,985
Depreciation	15,634,546	18,253,504
Profit on disposal of an investment property	–	(247,279)
Profit on disposal of a subsidiary	(3,312,816)	–
Loss on disposal of an associate	8	–
Profit on disposal of property, plant and equipment	(68,514)	(162,562)
Allowance for advance to an associate	–	3,500,000
Impairment loss on the leisure – entertainment complex	–	60,476,789
Impairment loss on investment securities	–	5,000,000
Impairment loss on other investment	33,100,000	–
Impairment loss on equipment	914,058	5,548,000
Unrealised holding loss on other investments	1,881,072	6,879,653
Increase in inventories	(778,707)	(897,224)
Decrease (increase) in properties under development for sale	4,727,239	(1,602,880)
Decrease in investments in securities	5,385,851	20,637,198
Decrease (increase) in trade and other receivables	8,311,378	(11,669,415)
Decrease in amount due from associates	5,073,424	–
Increase in trade and other payables	1,860,892	20,878,404
Increase (decrease) in amounts due to directors	4,868,790	(1,209,702)
(Decrease) increase in amounts due to related companies	(403,400)	889,710
Effect of foreign exchange rate changes	(2,885,323)	5,456,772
Net cash inflow from operating activities	30,018,934	52,285,050

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

35. DISPOSAL OF A SUBSIDIARY

	HK\$
NET ASSETS DISPOSED OF	
Trade and other receivables	5,502,893
Bank balances and cash	10,034
Trade and other payables	(8,825,700)
	(3,312,773)
Profit on disposal of a subsidiary	3,312,816
	43
Satisfied by:	
Cash	43
Net cash outflow arising on disposal	
Cash consideration	43
Bank balances and cash disposed of	(10,034)
	(9,991)

The subsidiary disposed of during the year did not have any material impact on the Group's cash flow or results for the year.

36. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Obligations under finance leases HK\$	Bank and other loans HK\$
Balance at 1st January, 2000	1,166,632	251,718,442
Net cash (outflow) inflow from financing	(99,142)	7,325,092
Currency realignment	(2,279)	785,600
Balance at 1st January, 2001	1,065,211	259,829,134
Net cash outflow from financing	(1,163)	(18,879,125)
Currency realignment	(453)	(13,543,410)
Balance at 31st December, 2001	1,063,595	227,406,599

NOTES

TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

37. MAJOR NON-CASH TRANSACTIONS

During the year the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$96,772 (2000: HK\$11,096,000).

During the year, an amount due from an associate amounting of HK\$12,706,835 had been capitalised into investment cost of associate.

During the year, an amount due from an entity amounting of HK\$137,000,000 had been reclassified into interest in leisure-entertainment complex.

38. PLEDGE OF ASSETS

At the balance sheet date:

- (a) banking facilities to the extent of approximately HK\$40 million (2000: HK\$40 million), of which HK\$14.4 million (2000: HK\$19 million) were utilised, are secured by the legal mortgage of certain of the Group's investment properties in Hong Kong with an aggregate net book value of approximately HK\$46.6 million (2000: HK\$45 million);
- (b) margin trading facilities in respect of securities transactions to the extent of approximately HK\$7.3 million (2000: HK\$Nil), of which HK\$4.3 million (2000: HK\$Nil) were utilised, are secured by the Group's listed investments of approximately HK\$46 million (2000: HK\$Nil).
- (c) overdraft and revolving loan facilities to the extent of approximately HK\$2 million (2000: Nil), of which was all unutilised, are secured by time deposits and securities held by the Group of approximately HK\$2.5 million (2000: HK\$Nil).
- (d) the term loans granted to a Group's subsidiary obtained from licensed financial institutions to the extent of approximately HK\$89 million (2000: HK\$103 million), of which HK\$77 million (2000: HK\$74 million) were utilised are secured by:
 - (i) the Group's golf resort complex and properties under development in Malaysia with an aggregate net book value of approximately HK\$144 million (2000: HK\$158 million);
 - (ii) fixed and floating charge over the land and properties of the respective subsidiary; and
 - (iii) jointly and severally guarantees by a director of the Company and a director of the respective subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

38. PLEDGE OF ASSETS (continued)

- (e) banking facilities to the extent of approximately HK\$127 million (2000: HK\$142 million) of which HK\$115 million (2000: HK\$126 million) were utilised, are secured by:
 - (i) Group's investment properties in Singapore with an aggregate net book value of approximately HK\$173 million (2000: HK\$202 million); and
 - (ii) severally guaranteed by the Company and a director of the Company.
- (f) banking facilities to the extent of approximately HK\$3.5 million (2000: HK\$7 million), of which HK\$3.5 million (2000: HK\$7 million) were utilised, are secured by the Group's plant equipment and motor vehicles in the PRC with an aggregate book value of approximately HK\$2 million (2000: HK\$8 million).
- (g) bank facilities to the extent of approximately HK\$3.8 million (2000: HK\$11 million), of which HK\$3.8 million (2000: HK\$11 million) were utilised are secured by:
 - (i) Group's property, plant and equipment in Singapore with an aggregate net book value of approximately HK\$22 million (2000: HK\$34 million); and
 - (ii) severally guaranteed by the Company and a director of the Company.
- (h) loan facilities obtained from a third party to the extent of approximately HK\$12 million of which HK\$11 million were utilised, are secured by:
 - (i) Group's bank deposits approximately HK\$0.8 million was pledged in favour of the third party; and
 - (ii) guaranteed of the Company.

39. CONTINGENT LIABILITIES

At the balance sheet date, there were contingent liabilities, so far as not provided for in the financial statements as follows:

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Guarantees given to bank, in respect of banking facilities utilised by subsidiaries	<u>—</u>	<u>—</u>	<u>148,062,481</u>	<u>193,303,057</u>

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TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

40. OPERATING LEASE COMMITMENTS

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows;

	THE GROUP	
	2001 HK\$	2000 HK\$
Within one year	3,299,094	3,535,259
In the second to fifth year inclusive	7,560,424	11,636,894
Over five years	—	—
	10,859,518	15,172,153

Operating lease payments represent rentals payable by the Group for its restaurant. Leases are negotiated for an average term of six years.

41. CAPITAL COMMITMENTS

At the balance sheet date, there were outstanding capital commitments authorised and contracted for, but not provided for in the financial statements in respect of:

	THE GROUP		THE COMPANY	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Contribution to capital of investment	—	—	9,678,271	9,678,271

At the balance sheet date, the Group and the Company has no capital expenditure that has been authorised but not contracted for.

42. RETIREMENT BENEFITS SCHEME

Commencing from 1st December, 2000, the Group operates a Mandatory Provident Fund ("MPF") Scheme for all qualifying employees. The assets of the schemes are held separately for those of the Group, in funds under the control of trustees. According to MPF legislation regulated by the Mandatory Provident Fund Schemes Authority in Hong Kong. With effect from 1st December, 2000, the Group is required to participate in MPF Scheme operated by approved trustees in Hong Kong and to make contributions for its eligible employees. The contributions borne by the Group are calculated at 5% of the salaries and wages as calculated under the MPF legislation. The retirement benefits cost charged to income statement represents contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

43. MATERIAL LITIGATIONS

- (1) In 1995, the subsidiary in Malaysia was named as defendants in legal proceedings pertaining to the question of rights and interests in the shares of Seremban Golf Resort Berhad ("SGR"). The principal allegation by the plaintiffs, representing approximately 29.9% of the shareholdings in SGR, is that the defendants are in breach of certain clauses of the shareholders' agreement in respect of the sales and purchase of shares in SGR. The plaintiffs claimed that on account of the said breach, they were entitled to re-acquire their previous shareholdings in SGR from the defendants. The net asset value of SGR as at 31st December, 2001 was approximately RM11 million, equivalent to approximately HK\$22 million.

In 1996, the plaintiffs' applications for injunction orders have been dismissed with costs and the suit was ordered to be stayed pending arbitration. As at 31st December, 2001, the plaintiffs still have not taken any steps to refer the matter to arbitration. Therefore, the directors are of the opinion that there were no material direct or contingent liabilities arising from the aforesaid litigation at the balance sheet date.

- (2) On 30th November, 1999, a corporation in which certain shareholders of SGR have interest served a notice pursuant to Section 218 of the Malaysian Companies Act, 1965 to recover an alleged claim in the amount of HK\$10,025,484 for which provision has been made and included under trade and other payables.

The Group has however denied that the alleged debt is due and has instituted cost proceedings for inter alia a declaration accordingly. On 15th November, 2001, the court of Appeal had issued an injunction restraining the winding up petition against SGR until the dispute is disposed of by way of trial.

- (3) A contractor for SGR had taken legal action to recover a sum of HK\$5,048,452 (included under trade and other payables) which the contractor alleged to be due and owing under a settlement agreement dated 10th October, 1997.

SGR is contesting the same and alleged that the works completed by the contractor are defective and have also risen to encroachment upon neighbouring lands. SGR had filed an application to stay the proceedings for reference to arbitration and is presently appealing against the High Court order dismissing the application. In the meanwhile, the High Court has granted an order staying the court proceedings pending appeal. This case is fixed for mention on 28th August, 2002.

44. POST BALANCE SHEET EVENT

A conditional sale and purchase agreement were signed between the Company and an independent third party on 29th December, 2001. Based on the agreement, the Company agreed to acquire 80% equity interest in a joint venture company at a consideration of HK\$125 million to be satisfied by the allotment and issue of 125 million shares of the Company at par value of HK\$1 each. The completion of this transaction is subject to the satisfactory results of a due diligence review to be performed by the Company. As at the date of this report, the transaction has not yet completed.

45. RECLASSIFICATION

The directors considered that the Group's interest in certain entities which have been consolidated in last year's financial statements are to be reclassified as interest in associates in the consolidated balance sheet. No adjustment had been made to the financial results of the Group as the financial effect is considered to be not significant.