

# NOTES TO THE FINANCIAL STATEMENTS

*For the year ended 31st December, 2001*

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

In the opinion of the directors, the Company's ultimate holding company is China Poly Group Corporation ("China Poly"), a state-owned enterprise established in the People's Republic of China (the "PRC"). China Poly and its affiliated companies, other than members of the Group, are hereinafter collectively referred to as the China Poly Group.

The Company is an investment holding company. The subsidiaries are engaged in shipping, hotel operations, property investment and management, securities investment, financial services and general trading.

As the majority of the business of the Company and its subsidiaries (the "Group") is operated in the PRC where they are required by statute to adopt 31st December as the financial year end, the directors, during the previous financial period, decided to change the Company's financial year end to 31st December. Accordingly, the comparative amounts shown for the consolidated income statement, consolidated statement of recognized gains and losses, consolidated cash flows statement and related notes covered a nine-month period from 1st April, 2000 to 31st December, 2000 which may not be comparable with amounts shown for the current year. However, the directors believe that the change of the Company's financial year end to 31st December will facilitate the preparation of the Group's consolidated financial information for future accounting periods.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted for the first time a number of new and revised Statements of Standard Accounting Practice issued by the Hong Kong Society of Accountants. Adoption of these Standards has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised Standards have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior period have been restated in order to achieve a consistent presentation.

The adoption of these new and revised Standards has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/CHANGES IN ACCOUNTING POLICIES *(Continued)*

### **Dividends proposed or declared after the balance sheet date**

In accordance with SSAP 9 (Revised) *Events after the Balance Sheet Date*, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment which increases the accumulated profits as at 1st April, 2000 by HK\$16,705,000.

### **Goodwill**

In the current year, the Group has adopted SSAP 30 *Business Combinations* and has elected not to restate goodwill previously eliminated against reserves. Accordingly, goodwill arising on acquisitions prior to 1st January, 2001 is held in reserves and will be charged to the income statement at the time of disposal of the relevant subsidiary, or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised over its estimated useful life. Negative goodwill arising on acquisitions after 1st January, 2001 is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of investment properties, hotel properties and investments in securities and 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, associates and jointly controlled entities acquired or disposed of during the year/period are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant inter-company transactions and balances within the Group are eliminated on consolidation.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Goodwill**

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

Goodwill arising on acquisitions prior to 1st January, 2001 continues to be held in reserves, and will be charged to the income statement at the time of disposal of the relevant subsidiary or at such time as the goodwill is determined to be impaired.

Goodwill arising on acquisitions after 1st January, 2001 is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

**Negative goodwill**

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

Negative goodwill 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.

**3. 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 registered 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.

**Interests in associates**

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid on acquisition, less any identified impairment loss.

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, investments in associates are stated at cost, as reduced by any identified impairment loss.

**Joint ventures**

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

*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 relevant jointly controlled entities. The Group's share of post-acquisition results of jointly controlled entities are 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 relevant jointly controlled entities, except where unrealised losses provide evidence of an impairment of the asset transferred.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

*Other joint venture arrangements*

Investments made by means of joint venture structures which do not result in the Group having joint control with the other venturers are accounted for as subsidiaries (where the Group controls the board of directors or equivalent governing body), associates (where the Group is in a position to exercise significant influence) or investments in securities (where the Group exercises neither control nor significant influence).

**Investments in securities**

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

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

Investments other than held-to-maturity debt securities are classified as investment securities or 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 year/period.

**Revenue recognition**

Sales of goods are recognised when goods are delivered and title has passed while service revenue is recognised when services are provided.

Sales of investments in securities are recognised on a trade date basis.

Revenue from hotel operations and related services is recognised when the relevant services are provided.

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Revenue recognition** *(Continued)*

Rental income, including rental invoiced in advance, from properties let under operating leases is recognised on a straight line basis over the period of the respective leases.

Licence fees for the exclusive right of managing certain of the Group's assets by a third party are recognised on a straight line basis over the period of the respective licence agreement.

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

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

Charterhire income is recognised on a straight line basis over the charterhire period.

**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 values based on independent professional valuations at the balance sheet date. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment properties revaluation reserve unless the balance on this reserve is insufficient to cover a deficit on a portfolio basis, in which case the excess of the deficit over the balance on the investment properties revaluation reserve is charged to the income statement.

On disposal of investment properties, the balance on the investment properties revaluation reserve attributable to the properties disposed of is transferred to the income statement.

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

**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**Hotel properties**

Hotel properties are interests in land and buildings and their integral fixed plant, and are stated at independent professional valuation at the balance sheet date. Changes in the value of hotel properties are dealt with as movements on the hotel properties revaluation reserve. Any surplus arising on revaluation of hotel properties is credited to the hotel properties revaluation reserve, except to the extent that it reverses a decrease in revaluation of the same hotel property previously recognised as an expense, when it is recognised as income. A decrease in net carrying amount arising on revaluation of hotel properties is charged to the income statement to the extent that it exceeds the balance, if any, on the hotel properties revaluation reserve relating to a previous revaluation of that hotel property.

The gain or loss arising from the disposal or retirement of a revalued hotel property is determined as the difference between the sale proceeds and the carrying amount of the hotel property and is recognised in the income statement.

On the subsequent sale or retirement of a revalued hotel property, the attributable surplus is transferred to accumulated profits. No depreciation or amortisation are provided on hotel properties held on land use rights of more than 20 years. It is the Group's practice to maintain the properties in a continual state of sound repair and maintenance, and accordingly, the directors consider that depreciation and amortisation are not necessary due to their high residual value. The related maintenance expenditure is dealt with in the income statement in the year of expenditure.

**Property, plant and equipment**

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

Land and buildings which have been previously classified as investment properties are stated at their valuation immediately prior to transfer. No further valuation will be carried out on these land and buildings.

### 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

#### **Property, plant and equipment** *(Continued)*

Construction in progress is stated at cost which includes all development expenditure and other direct costs attributable to such projects including borrowing costs capitalised. It is not depreciated or amortised until completion of construction. Costs of completed construction works are transferred to the appropriate categories of property, plant and equipment.

The cost of leasehold land is amortised over the period of the lease using the straight line method.

Depreciation of motor vessels is calculated at a rate sufficient to write off their cost less estimated scrap value over their remaining estimated useful lives on a straight line basis of 25 years from the date of their first registration.

Depreciation is provided to write off the cost or valuation of other assets over their estimated useful lives, using the straight line method, at the following rates per annum:

Buildings	2% - 18%
Furniture, fixtures and equipment	20%
Motor vehicles	20%
Plant and machinery	6% - 23%

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.

#### **Capitalisation of borrowing costs**

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

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



**3. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

**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 SSAP, in which case the impairment loss is treated as revaluation decrease under that SSAP.

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

**Intangible assets**

Intangible assets are stated at cost less amortisation and any identified impairment loss. Amortisation is calculated to write off the cost of the intangible assets over their estimated useful lives, using the straight line method, up to a maximum period of eighteen months.

**Stores**

Stores which represent lubricants and bunkers on board are stated at cost.

**Inventories**

Inventories are stated at the lower of cost and net realisable value and is calculated using the weighted average method.

**Retirement benefits scheme contributions**

Contributions payable by the Group to its defined contribution retirement benefits scheme are charged to the income statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 3. SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### **Taxation**

The charge for taxation is based on the results for the year/period 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.

### **Foreign currencies**

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in such currencies are retranslated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in net profit or loss for the period.

On consolidation, the assets and liabilities of the Group's overseas operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

### **Operating leases**

Rentals payable under operating leases are charged to the income statement on a straight line basis over the period of the respective leases.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 4. TURNOVER

Turnover represents the aggregate of the net amounts received and receivable from third parties, net of business tax payable in the PRC and is summarised as follows:

	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Vessel charterhire income	70,685	54,846
Rental income and property management	63,736	41,085
Sales of goods	54,272	—
Income from hotel operation	51,689	27,259
Sales of electricity and gas	36,619	—
Sales proceeds from disposal of other investments	26,014	24,396
Interest income from investments	17,062	28,474
Management fees	12,000	9,000
Dividend income	5,661	2,539
Shipment handling fees	4,238	1,094
	<u>341,976</u>	<u>188,693</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 5. PROFIT (LOSS) FROM OPERATIONS

	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Profit (loss) from operations has been arrived at after charging:		
Staff costs		
— directors' emoluments	3,932	4,118
— other staff costs	51,119	28,689
— retirement benefits scheme contributions, net of forfeited contribution of HK\$748,000 (1.4.2000 to 31.12.2000: HK\$324,000)	2,653	1,633
	57,704	34,440
Auditors' remuneration	1,086	918
Depreciation and amortisation of property, plant and equipment	51,043	27,138
Loss on disposal of property, plant and equipment	1,403	3,365
Operating lease rentals in respect of land and buildings	3,705	130
and after crediting:		
Property rental income, net of outgoing of HK\$5,738,000 (1.4.2000 to 31.12.2000: HK\$5,928,000)	45,382	35,796
Release of negative goodwill to other revenue	233	—
	<b>233</b>	<b>—</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 6. DIRECTORS' EMOLUMENTS

	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Directors' fees:		
Executive	80	60
Independent non-executive	110	80
	<u>190</u>	<u>140</u>
Other emoluments of executive directors:		
Salaries and other benefits	3,538	3,772
Retirement benefits scheme contributions	204	206
	<u>3,742</u>	<u>3,978</u>
Total directors' emoluments	<u><u>3,932</u></u>	<u><u>4,118</u></u>

The emoluments of the directors were within the following bands:

	1.1.2001 to 31.12.2001 Number of directors	1.4.2000 to 31.12.2000 Number of directors
Nil to HK\$1,000,000	8	9
HK\$1,000,001 to HK\$1,500,000	1	1
HK\$1,500,001 to HK\$2,000,000	<u>1</u>	<u>1</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 7. EMPLOYEES' EMOLUMENTS

The aggregate emoluments of the five highest paid individuals included three (1.4.2000 to 31.12.2000: three) executive directors of the Company, whose emoluments are included in note 6 above. The aggregate emoluments of the remaining two (1.4.2000 to 31.12.2000: two) highest paid individuals are as follows:

	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Salaries and other benefits	1,957	1,653
Retirement benefits scheme contributions	86	74
	<u>2,043</u>	<u>1,727</u>

The emoluments of the two highest paid individuals were within the following bands:

	1.1.2001 to 31.12.2001 Number of employees	1.4.2000 to 31.12.2000 Number of employees
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	<u>1</u>	<u>—</u>

During the year/period, no emoluments were paid by the Group to the five highest paid individuals, including directors and employees, as an inducement to join or upon joining the Group or as compensation for loss of office. None of the directors has waived any emoluments during the year/period.

## 8. FINANCE COSTS

	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Interest on bank borrowings wholly repayable within five years	<u>18,123</u>	<u>15,541</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 9. TAXATION

The charge comprises:

Hong Kong Profits Tax calculated at 16% of the estimated assessable profit for the year/period  
PRC income tax

Share of taxation of an associate

1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
3	19
<u>1,809</u>	<u>812</u>
1,812	831
<u>107</u>	<u>861</u>
<u><u>1,919</u></u>	<u><u>1,692</u></u>

PRC income tax is calculated in accordance with the relevant laws and regulations in the PRC.

Details of unrecognised deferred tax assets are set out in note 37.

## 10. DIVIDENDS

During the period ended 31st December, 2000, a final dividend for the year ended 31st March, 2000 of HK\$0.02 per share, amounting to HK\$16,705,000 was paid.

No dividends have been proposed for the year ended 31st December, 2001 (period ended 31st December, 2000: nil).

## 11. BASIC LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year of HK\$14,825,000 (1.4.2000 to 31.12.2000: HK\$52,648,000) and on the weight average number of 815,632,916 shares (2000: 826,149,334 shares) in issue during the year.

No diluted loss per share has been presented because the exercise of the Company's outstanding share options would reduce the loss per share for the year/period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 12. INVESTMENT PROPERTIES

HK\$'000

### THE GROUP

#### VALUATION

At 1st January, 2001	772,825
Surplus arising on revaluation	<u>2,375</u>
At 31st December, 2001	<u><u>775,200</u></u>

The investment properties of the Group were revalued at 31st December, 2001 on an open market value existing use basis by AA Property Services Limited, an independent firm of professional property valuers. The surplus arising on revaluation has been credited to the consolidated income statement.

The carrying value of investment properties comprises:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Properties held under		
— long leases in Hong Kong	42,000	46,000
— long-term land use rights in the PRC ( <i>Note (i)</i> )	312,000	301,725
— medium-term land use rights in the PRC ( <i>Note (ii)</i> )	<u>421,200</u>	<u>425,100</u>
	<u><u>775,200</u></u>	<u><u>772,825</u></u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 12. INVESTMENT PROPERTIES (Continued)

Notes:

- (i) The hotel properties and certain investment properties and other buildings with an aggregate net book value of approximately HK\$981.7 million (2000: HK\$960.2 million) comprise the Poly Plaza held by the Group in the PRC. The land on which Poly Plaza is situated is state-owned and the Group has been granted the right to use the land for a term of 17 years expiring 2003 at no cost. Pursuant to a deed dated 11th June, 1997 entered into between the Group and China Poly Group, China Poly Group has guaranteed the successful application for the extension of the joint venture term of the Company's subsidiary Poly Plaza Limited ("PPL"), and the land use right of Poly Plaza up to the year 2053 on the same terms and at the payment of all premium, charges and fees for such extension by China Poly Group. China Poly Group further undertakes that if the joint venture term or the land use right is not so extended, the Group will have a put option exercisable before 31st March, 2004 to require China Poly Group to purchase back PPL at its consideration on acquisition together with interest at 12% per annum for the entire period of investment, less distribution of profits already received, if any. In the opinion of the directors, the joint venture term and the land use right can be extended upon expiration.
- (ii) At the balance sheet date, the property ownership certificates in respect of property interests held under medium-term land use rights in the PRC as stated above have not been issued by the relevant PRC government authority. The Group has settled the full amount of the purchase consideration and in the opinion of the directors, such certificates will be issued in due course.

## 13. HOTEL PROPERTIES

	HK\$'000
<b>THE GROUP</b>	
<b>VALUATION</b>	
At 1st January, 2001	587,977
Surplus arising on revaluation	20,423
	<hr/>
At 31st December, 2001	608,400
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The hotel properties of the Group were revalued at 31st December, 2001 on an open market value existing use basis by AA Property Services Limited, an independent firm of professional property valuers. The surplus arising on revaluation of hotel properties amounted to HK\$20,423,000, of which HK\$7,543,000 and HK\$9,660,000 (net of minority interests of HK\$3,220,000) have been credited to the consolidated income statement and the hotel properties revaluation reserve respectively.

If the Group's hotel properties had not been revalued, they would have been included on a historical cost basis at carrying value of HK\$595.5 million (2000: HK\$595.5 million).

All the hotel properties are situated in the PRC and held under long-term land use rights (Note 12(i)).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 14. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Motor vessels <i>HK\$'000</i>	Plant and machinery <i>HK\$'000</i>	Construction in progress <i>HK\$'000</i>	Total <i>HK\$'000</i>
<b>THE GROUP</b>							
<b>COST OR VALUATION</b>							
At 1st January, 2001	231,277	88,194	6,777	579,294	107,479	4,605	1,017,626
Acquisition of subsidiaries	113,326	—	—	—	201,435	7,050	321,811
Additions	—	1,232	1,316	—	39,265	12,735	54,548
Disposals	—	(562)	(995)	—	(1,174)	(1,415)	(4,146)
Transfers	—	1,934	—	—	6,588	(8,522)	—
	<u>344,603</u>	<u>90,798</u>	<u>7,098</u>	<u>579,294</u>	<u>353,593</u>	<u>14,453</u>	<u>1,389,839</u>
At 31st December, 2001	344,603	90,798	7,098	579,294	353,593	14,453	1,389,839
Comprising:							
At cost	201,071	90,798	7,098	579,294	353,593	14,453	1,246,307
At valuation — 1995	27,893	—	—	—	—	—	27,893
— 1997	115,639	—	—	—	—	—	115,639
	<u>344,603</u>	<u>90,798</u>	<u>7,098</u>	<u>579,294</u>	<u>353,593</u>	<u>14,453</u>	<u>1,389,839</u>
<b>DEPRECIATION AND AMORTISATION</b>							
At 1st January, 2001	28,580	69,556	5,347	170,985	51,167	—	325,635
Impairment loss	—	—	—	22,643	—	—	22,643
Provided for the year	13,290	4,586	522	23,644	9,001	—	51,043
Eliminated on disposals	—	(506)	(764)	—	(1,165)	—	(2,435)
	<u>41,870</u>	<u>73,636</u>	<u>5,105</u>	<u>217,272</u>	<u>59,003</u>	<u>—</u>	<u>396,886</u>
At 31st December, 2001	41,870	73,636	5,105	217,272	59,003	—	396,886
<b>NET BOOK VALUE</b>							
At 31st December, 2001	<u>302,733</u>	<u>17,162</u>	<u>1,993</u>	<u>362,022</u>	<u>294,590</u>	<u>14,453</u>	<u>992,953</u>
At 31st December, 2000	<u>202,697</u>	<u>18,638</u>	<u>1,430</u>	<u>408,309</u>	<u>56,312</u>	<u>4,605</u>	<u>691,991</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

	<b>THE GROUP</b>	
	<b>2001</b>	2000
	<b>HK\$'000</b>	HK\$'000
The net book value of land and buildings shown above comprises:		
Properties held under		
— long leases in Hong Kong	<b>129,301</b>	132,172
— medium-term land use rights in the PRC	<b>112,138</b>	—
— long-term land use rights in the PRC <i>(Note 12(i))</i>	<b>61,294</b>	70,525
	<b>302,733</b>	202,697

The Group's land and buildings stated at 1995 and 1997 valuation were valued at 31st March, 1995 and 31st March, 1997 by independent firm of professional property valuers, on an open market value basis before being transferred from investment properties. No further valuation has been carried out on these properties.

If land and buildings had not been revalued, they would have been included in these financial statements at historical cost less accumulated depreciation and amortisation at approximately HK\$296,525,000 (2000: HK\$196,431,000).

All motor vessels are held for use under operating leases.

At 31st December, 2001, the management of the Group has reviewed the carrying amount of a motor vessel. An impairment loss of HK\$22,643,000, representing the difference between the estimated selling price and the carrying amount of the motor vessel, has been identified and recognised in the consolidated income statement.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 15. INTANGIBLE ASSETS

	<i>HK\$'000</i>
<b>THE GROUP</b>	
<b>COST</b>	
At 1st January, 2001	5,580
Additions	13,116
At 31st December, 2001	18,696
<b>AMORTISATION</b>	
Amortisation for the year and at 31st December, 2001	5,748
<b>NET BOOK VALUE</b>	
At 31st December, 2001	12,948
At 31st December, 2000	5,580

Intangible assets represent the publishing rights acquired from independent third parties.

The amortisation period adopted for intangible assets ranges from twelve to eighteen months.

In the opinion of the directors, the intangible assets are worth at least their carrying amount.

## 16. INTEREST IN SUBSIDIARIES

	<b>THE COMPANY</b>	
	<b>2001</b>	2000
	<b><i>HK\$'000</i></b>	<i>HK\$'000</i>
Unlisted shares, at cost	<b>10,056</b>	10,056
Amounts due from subsidiaries less impairment loss recognised	<b>2,027,498</b>	1,952,582
	<b>2,037,554</b>	1,962,638

Details of the Company's principal subsidiaries at 31st December, 2001 are set out in note 44.

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment. In the opinion of the directors, the amounts will not be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

None of the subsidiaries had any loan capital outstanding at the end of the year/period or at any time during the year/period.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 17. NEGATIVE GOODWILL

	HK\$'000
<b>THE GROUP</b>	
<b>GROSS AMOUNT</b>	
Arising on acquisition of subsidiaries and at 31st December, 2001	15,826
<b>RELEASED TO INCOME</b>	
Released to other revenue in the year and at 31st December, 2001	233
	<u>15,593</u>

The negative goodwill is released to income on a straight-line basis over an average period of 18 years, the remaining term of the subsidiaries established in the PRC.

## 18. INTEREST IN ASSOCIATES

	<b>THE GROUP</b>		<b>THE COMPANY</b>	
	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>	<b>2001</b> <b>HK\$'000</b>	2000 <i>HK\$'000</i>
Unlisted shares, at cost	—	—	<b>77,060</b>	78,102
Share of net assets of associates:				
Listed	<b>226,825</b>	237,349	—	—
Unlisted	<b>86,371</b>	73,738	—	—
Goodwill arising on acquisition of associates ( <i>note</i> )	<b>61,274</b>	—	—	—
	<u><b>374,470</b></u>	<u>311,087</u>	<u><b>77,060</b></u>	<u>78,102</u>
Market value of listed shares at the balance sheet date	<u><b>144,602</b></u>	<u>123,826</u>	<u>—</u>	<u>—</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 18. INTEREST IN ASSOCIATES (Continued)

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
<i>Note:</i> Goodwill arising on acquisition of associates		
<b>COST</b>		
Arising on acquisition of associates and balance at 31st December, 2001	61,274	—
<b>AMORTISATION</b>		
Provided for the year and balance at 31st December, 2001	—	—
<b>NET BOOK VALUE</b>		
At 31st December, 2001	61,274	—

Details of the Group's associates at 31st December, 2001 are as follows:

Name of associate	Place of incorporation	Attributable proportion of nominal value of issued capital		Principal activities
		held by the Company	held by the Group	
Poly Investments Holdings Limited ("Poly")	Hong Kong	—	40.37%	Investment holding, property investment, manufacture and trading of chemical fibres, financial services and securities investment
Skywin China Limited	British Virgin Islands	—	25%	Investment holding, development and supply of software for telecommunication systems
Winterthur Insurance (Asia) Limited ("Winterthur")	Hong Kong	48%	48%	Insurance business

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 18. INTEREST IN ASSOCIATES (Continued)

The followings details have been extracted from the audited financial statements of Poly, the Group's major associate:

Results for the year/period:

	2001 HK\$'000	2000 HK\$'000
Turnover	<u>312,340</u>	<u>277,848</u>
Loss before tax and after minority interests	<u>(25,805)</u>	<u>(17,277)</u>
Loss before tax and after minority interests attributable to the Group	<u>(10,417)</u>	<u>(7,783)</u>

Financial position:

	2001 HK\$'000	2000 HK\$'000
Non-current assets	423,141	439,796
Current assets	507,749	562,100
Current liabilities	(314,870)	(211,131)
Non-current liability	(11,139)	(134,508)
Minority interests	<u>(43,015)</u>	<u>(68,321)</u>
Net assets	<u>561,866</u>	<u>587,936</u>
Net assets attributable to the Group	<u>226,825</u>	<u>237,349</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 19. INTEREST IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Share of net assets (liabilities) of jointly controlled entities	7,175	(16,661)
Loans to jointly controlled entities	40,479	123,004
	<u>47,654</u>	<u>106,343</u>

Included in the balance at 31st December, 2000 are two jointly controlled entities, the principal activities of which are to invest in power plant operations. Following a change of the Group's business plan in October 2001, the Group acquired the remaining equity interest in one of these two entities and assumed control over the other. As a result, both of these entities became wholly owned subsidiaries of the Group since October 2001.

The loans to the jointly controlled entities at 31st December, 2001 are unsecured, interest-free and have no fixed repayment terms.

One of the loans to the jointly controlled entities at 31st December, 2000 with an amount of HK\$77,200,000 carried interest at market rate.

Details of the jointly controlled entity which was indirectly held by the Company at 31st December, 2001 are as follows:

Name of jointly controlled entity	Place of establishment	Attributable proportion of nominal value of registered capital	Principal activities
天津華盛房地產發展有限公司 Tianjin Winson Real Estate Development Company Limited ("Tianjin Winson")	PRC	25%	Property development in Tianjin, the PRC



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 19. INTEREST IN JOINTLY CONTROLLED ENTITIES (Continued)

The following details have been extracted from the unaudited financial statements of Tianjin Winson:

	1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Results for the year/period:		
Turnover	<u>10,484</u>	<u>48,749</u>
Loss before tax and after minority interests	<u>(36,732)</u>	<u>(47,803)</u>
Loss before tax and after minority interests attributable to the Group	<u>(9,183)</u>	<u>(11,951)</u>
Financial position:		
Non-current assets	50	195
Current assets	203,353	264,062
Current liabilities	(9,838)	(47,386)
Non-current liabilities	<u>(164,865)</u>	<u>(324,986)</u>
Net assets (liabilities)	<u>28,700</u>	<u>(108,115)</u>
Net assets (liabilities) attributable to the Group	<u>7,175</u>	<u>(27,029)</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 20. INVESTMENTS IN SECURITIES

	Held-to-maturity		Investment securities		Other investments		Total	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
<b>THE GROUP</b>								
Equity securities:								
Listed	—	—	86,468	86,468	78,634	27,056	165,102	113,524
Unlisted	—	—	—	—	13,335	935	13,335	935
	<u>—</u>	<u>—</u>	<u>86,468</u>	<u>86,468</u>	<u>91,969</u>	<u>27,991</u>	<u>178,437</u>	<u>114,459</u>
Debt securities:								
Unlisted	—	112	—	—	—	—	—	112
	<u>—</u>	<u>112</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>112</u>
Total:								
Listed in Hong Kong	—	—	86,468	86,468	78,634	27,056	165,102	113,524
Unlisted	—	112	—	—	13,335	935	13,335	1,047
	<u>—</u>	<u>112</u>	<u>86,468</u>	<u>86,468</u>	<u>91,969</u>	<u>27,991</u>	<u>178,437</u>	<u>114,571</u>
Market value of listed securities	—	—	52,480	57,108	78,634	27,056	131,114	84,164
Carrying amount analysed for reporting purposes as:								
Current	—	—	—	—	91,034	27,056	91,034	27,056
Non-current	—	112	86,468	86,468	935	935	87,403	87,515
	<u>—</u>	<u>112</u>	<u>86,468</u>	<u>86,468</u>	<u>91,969</u>	<u>27,991</u>	<u>178,437</u>	<u>114,571</u>
<b>THE COMPANY</b>								
Current investments:								
Listed equity securities	—	—	—	—	26,786	—	26,786	—
Market value of listed securities	—	—	—	—	26,786	—	26,786	—

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 21. INVENTORIES

	2001 HK\$'000	2000 HK\$'000
Raw materials	12,675	5,922
Work in progress	29	81
Finished goods	2,139	1,571
	<u>14,843</u>	<u>7,574</u>

## 22. TRADE AND OTHER RECEIVABLES

The Group has a policy of allowing credit periods ranging from 30 days to 90 days to its trade customers. Included in this balance are trade receivables of HK\$54,910,000 (2000: HK\$14,188,000), an aged analysis of which is as follows:

	2001 HK\$'000	2000 HK\$'000
0 to 30 days	23,452	10,042
31 to 90 days	11,990	1,708
More than 90 days	19,468	2,438
	<u>54,910</u>	<u>14,188</u>

## 23. SHORT-TERM LOANS RECEIVABLE

Included in the short-term loans at 31st December, 2000 was an interest-free shareholder's loan of HK\$15,912,000 advanced to a jointly controlled entity. During the year, the amount was capitalised as investment when the Group acquired the remaining interest in that entity (note 34).

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 24. TRADE AND OTHER PAYABLES

Included in this balance are trade payables of HK\$49,001,000 (2000: HK\$22,780,000), an aged analysis of which is as follows:

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
0 to 30 days	26,043	11,727
31 to 90 days	1,685	4,169
More than 90 days	21,273	6,884
	<u>49,001</u>	<u>22,780</u>

## 25. BANK BORROWINGS

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Bank loans		
— secured	323,765	254,382
— unsecured	29,014	—
	<u>352,779</u>	<u>254,382</u>
The maturity of the above loans is as follows:		
On demand or within one year	162,042	133,833
More than one year, but not exceeding two years	149,436	21,684
More than two years, but not exceeding five years	41,301	98,865
	<u>352,779</u>	<u>254,382</u>
Less: Amounts due within one year shown under current liabilities	162,042	133,833
	<u>190,737</u>	<u>120,549</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 26. SHARE CAPITAL

	Number of ordinary shares	Amount HK\$'000
Ordinary share of HK\$0.50 each		
Authorised:		
At 1st April, 2000, 31st December, 2000 and 31st December, 2001	<b><u>1,200,000,000</u></b>	<b><u>600,000</u></b>
Issued and fully paid:		
At 1st April, 2000	<b>696,257,200</b>	348,129
Issue of shares ( <i>note i</i> )	<b>139,000,000</b>	69,500
Shares repurchased and cancelled ( <i>note ii</i> )	<b><u>(14,102,000)</u></b>	<b><u>(7,051)</u></b>
At 31st December, 2000	<b>821,155,200</b>	410,578
Shares repurchased and cancelled ( <i>note iii</i> )	<b><u>(10,372,000)</u></b>	<b><u>(5,186)</u></b>
At 31st December, 2001	<b><u>810,783,200</u></b>	<b><u>405,392</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

### 26. SHARE CAPITAL (Continued)

During the year/period, the following changes in the share capital of the Company took place:

- (i) In March 2000, Congratulations Company Ltd. ("Congratulations"), a wholly-owned subsidiary of China Poly Group, entered into an agreement (the "Placing Agreement") with a placing agent to place 49,600,000 existing shares of HK\$0.50 each in the Company to independent third parties, represented about 7.12% of the then existing issued share capital of the Company, at a price of HK\$1.50 per share (the "Placing").

Conditional, inter alia, to the completion of the Placing Agreement, Congratulations has agreed to subscribe 139,000,000 new shares of HK\$0.50 each in the Company (the "Subscription") at a price of HK\$1.50 per share, represented about 19.96% of the then existing share capital of the Company and about 16.64% of the issued share capital of the Company as enlarged by the new shares to be issued under the Subscription. The net proceeds of the Subscription, which amounted to about HK\$206,000,000, were used as general working capital of the Group and for expansion of the Group's business and future investments if opportunity arises.

The Placing and the Subscription were completed in April 2000. The new shares issued under the Subscription rank pari passu in all respects with the then existing shares.

- (ii) During the period ended 31st December, 2000, the Company repurchased certain of its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid HK\$'000
		Highest HK\$	Lowest HK\$	
September 2000	2,542,000	1.40	1.18	3,481
October 2000	5,580,000	1.23	1.12	6,570
November 2000	4,712,000	1.24	1.03	5,298
December 2000	1,268,000	1.12	0.96	1,331
	<u>14,102,000</u>			<u>16,680</u>

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the accumulated profits account.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 26. SHARE CAPITAL *(Continued)*

- (iii) During the year ended 31st December, 2001, the Company repurchased certain of its own shares through the Stock Exchange as follows:

Month of repurchase	Number of ordinary shares repurchased	Price per share		Aggregate consideration paid
		Highest HK\$	Lowest HK\$	HK\$'000
January 2001	1,435,000	1.18	1.04	1,608
March 2001	2,199,000	1.12	0.95	2,275
July 2001	3,688,000	1.02	0.89	3,413
August 2001	498,000	0.92	0.90	454
September 2001	316,000	0.73	0.71	228
October 2001	2,236,000	0.93	0.70	1,918
	<u>10,372,000</u>			<u>9,896</u>

The repurchased shares were subsequently cancelled upon repurchase and accordingly, the issued share capital of the Company was diminished by the nominal value thereof. The premium payable on repurchase was charged against the accumulated profits account.

- (iv) None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year.

## 27. SHARE OPTIONS

At 31st December, 2001, the following options to subscribe for shares were outstanding under the Company's share option scheme:

Date of grant	Exercisable period	Exercise price per share HK\$	Number of shares subject to options
3.9.1997	3.9.1998 - 2.9.2007	5.175	31,200,000
5.6.1998	5.6.1999 - 4.6.2008	1.370	17,000,000
30.11.2000	30.11.2001 - 29.11.2010	0.740	26,205,000
			<u>74,405,000</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 28. RESERVES

	Share premium HK\$'000	Hotel properties revaluation reserve HK\$'000	Exchange translation reserve HK\$'000	Capital redemption reserve HK\$'000	Goodwill reserve HK\$'000	PRC statutory reserves HK\$'000	Other capital reserve HK\$'000	Accumulated profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>									
At 1st April, 2000									
— as originally stated	1,321,079	11,623	2,594	2,038	(42,406)	1,441	586	468,721	1,765,676
— prior period adjustment (note 2)	—	—	—	—	—	—	—	16,705	16,705
— as restated	1,321,079	11,623	2,594	2,038	(42,406)	1,441	586	485,426	1,782,381
Goodwill arising on acquisition of subsidiaries	—	—	—	—	(12,319)	—	—	—	(12,319)
Goodwill arising on acquisition of an associate	—	—	—	—	(4,364)	—	—	—	(4,364)
Premium arising on issue of shares	139,000	—	—	—	—	—	—	—	139,000
Share issue expenses	(1,836)	—	—	—	—	—	—	—	(1,836)
Deficit arising on revaluation	—	(11,623)	—	—	—	—	—	—	(11,623)
Shares repurchased and cancelled:									
— Premium on shares repurchased	—	—	—	—	—	—	—	(9,629)	(9,629)
— Transfer	—	—	—	7,051	—	—	—	(7,051)	—
Loss for the period	—	—	—	—	—	—	—	(52,648)	(52,648)
Dividends (note 10)	—	—	—	—	—	—	—	(16,705)	(16,705)
At 31st December, 2000	1,458,243	—	2,594	9,089	(59,089)	1,441	586	399,393	1,812,257
Surplus arising on revaluation	—	9,660	—	—	—	—	—	—	9,660
Shares repurchased and cancelled:									
— Premium on shares repurchased	—	—	—	—	—	—	—	(4,710)	(4,710)
— Transfer	—	—	—	5,186	—	—	—	(5,186)	—
Transfer	—	—	—	—	—	2,726	—	(2,726)	—
Share of translation of reserve of overseas operations	—	—	(48)	—	—	—	—	—	(48)
Impairment of goodwill recognised in income statement	—	—	—	—	6,948	—	—	—	6,948
Loss for the year	—	—	—	—	—	—	—	(14,825)	(14,825)
At 31st December, 2001	1,458,243	9,660	2,546	14,275	(52,141)	4,167	586	371,946	1,809,282
<b>THE COMPANY</b>									
At 1st April, 2000									
— as originally stated	1,321,079	—	—	2,038	—	—	—	94,691	1,417,808
— prior period adjustment (note 2)	—	—	—	—	—	—	—	16,705	16,705
— as restated	1,321,079	—	—	2,038	—	—	—	111,396	1,434,513
Premium arising on issue of shares	139,000	—	—	—	—	—	—	—	139,000
Share issue expenses	(1,836)	—	—	—	—	—	—	—	(1,836)
Share repurchased and cancelled:									
— Premium on shares repurchased	—	—	—	—	—	—	—	(9,629)	(9,629)
— Transfer	—	—	—	7,051	—	—	—	(7,051)	—
Profit for the period	—	—	—	—	—	—	—	16,755	16,755
Dividends (note 10)	—	—	—	—	—	—	—	(16,705)	(16,705)
At 31st December, 2000	1,458,243	—	—	9,089	—	—	—	94,766	1,562,098
Shares repurchased and cancelled:									
— Premium on shares repurchased	—	—	—	—	—	—	—	(4,710)	(4,710)
— Transfer	—	—	—	5,186	—	—	—	(5,186)	—
Profit for the year	—	—	—	—	—	—	—	16,455	16,455
At 31st December, 2001	1,458,243	—	—	14,275	—	—	—	101,325	1,573,843



## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

### 28. RESERVES (Continued)

The accumulated profits of the Group include a loss of approximately HK\$18,670,000 (2000: HK\$6,975,000) retained by an associate and a loss of approximately HK\$41,405,000 (2000: HK\$35,206,000) attributable to jointly controlled entities.

The PRC statutory reserves are reserves required by the relevant PRC laws applicable to the Group's PRC subsidiaries, associate and jointly controlled entities.

During the year, the management of the Group reviewed the carrying amount of goodwill with reference to the business operated by a subsidiary. The subsidiary in question is engaged in the business of vessel charterhire and, in view of the impairment loss recognised in respect of the vessel as described in note 14, all of the goodwill relating to that subsidiary, amounting to HK\$6,948,000 is considered to be impaired and has been written off to the consolidated income statements.

The Company's reserves available for distribution to shareholders as at 31st December, 2001 represents its accumulated profits of approximately HK\$101.3 million (2000: HK\$94.8 million).

### 29. OTHER BORROWINGS

The amount is secured by 41.666% of the Company's interest in Winterthur, bears interest at 6% simple rate per annum and is repayable on 21st November, 2010.

### 30. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured, interest-free and have no fixed repayment terms. In the opinion of the directors, the amounts are unlikely to be repayable within twelve months from the balance sheet date and are therefore shown as non-current.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 31. LOAN FROM A FELLOW SUBSIDIARY

The loan is unsecured, interest-free and repayable upon expiration of the joint venture term of PPL (note 12(i)).

## 32. DEFERRED LICENCING INCOME

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
Unamortised deferred licencing income brought forward	104,673	115,888
Less: Licence income recognised	(14,953)	(11,215)
	<u>89,720</u>	<u>104,673</u>

The licencing income was received from China Poly Group, pursuant to an agreement whereby China Poly Group paid an amount of RMB160 million to the Group in January 1998 for the exclusive right to manage the Group's property interest in Poly Plaza, Beijing, the PRC for a period of 10 years.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

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

	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(848)	(47,459)
Interest expenses	18,123	15,541
Share of losses of associates	11,695	7,783
Share of losses of jointly controlled entities	6,199	8,163
Release of negative goodwill	(233)	—
Amortisation in deferred licencing income	(14,953)	(11,215)
Amortisation of intangible assets	5,748	—
Impairment loss on goodwill	6,948	—
Depreciation and amortisation of property, plant and equipment	51,043	27,138
(Surplus) deficit arising on revaluation of investment properties	(2,375)	26,949
(Surplus) deficit arising on revaluation of hotel properties	(7,543)	7,543
Impairment loss on property, plant and equipment	22,643	—
Loss on disposal of property, plant and equipment	1,403	3,365
Allowance for short-term loans receivable	5,923	7,000
Unrealised holding loss on other investments	3,461	19,108
Decrease (increase) in stores	139	(169)
Increase in inventories	(893)	(105)
Decrease (increase) in trade and other receivables	65,035	(29,152)
Increase in short-term loans receivable	(28,037)	(3,952)
Decrease in amount due from an associate	94	2,906
Increase in other investments	(67,439)	(23,960)
(Decrease) increase in trade and other payables	(27,016)	3,036
Decrease in property rental deposits	(3,980)	(1,170)
Net cash inflow from operating activities	<u>45,137</u>	<u>11,350</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 34. PURCHASE OF SUBSIDIARIES

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Property, plant and equipment	321,811	53,168
Intangible assets	—	5,580
Inventories	6,376	4,323
Trade and other receivables	95,815	11,321
Pledged bank deposits	2,741	—
Bank and cash balances	8,203	4,629
Trade and other payables	(97,362)	(72,841)
Taxation	(1,225)	—
Bank borrowings	(142,402)	—
Minority interests	(92,576)	(2,760)
Loans to jointly controlled entities	(39,425)	—
Net assets	61,956	3,420
Negative goodwill/goodwill arising on acquisition	(15,826)	12,319
	<u>46,130</u>	<u>15,739</u>
Satisfied by:		
Cash consideration paid	17,160	15,739
Share of net assets of jointly controlled entities	13,058	—
Short-term loans receivable (note 23)	15,912	—
	<u>46,130</u>	<u>15,739</u>
Analysis of net outflow of cash and cash equivalents in connection with the purchase of subsidiaries:		
Total cash consideration paid (including legal and professional charges)	17,160	15,739
Bank balances and cash acquired	(8,203)	(4,629)
Net outflow of cash and cash equivalents in connection with the purchase of subsidiaries	<u>8,957</u>	<u>11,110</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 34. PURCHASE OF SUBSIDIARIES (Continued)

The subsidiaries acquired during the year contributed approximately HK\$79.5 million to the Group's net operating cash flows, paid approximately HK\$1.6 million in respect of the net returns on investments and servicing of finance, paid approximately HK\$1.1 million in respect of taxation, utilised approximately HK\$43.3 million for investing activities and paid approximately HK\$12.9 million in respect of financing activities.

The subsidiaries acquired during the year contributed approximately HK\$36.6 million to the Group's turnover and approximately HK\$6.5 million to the Group's profit from operations.

## 35. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR/PERIOD

	Share capital, share premium and capital redemption reserve HK\$'000	Bank borrowings HK\$'000	Other borrowings HK\$'000	Minority interests HK\$'000
At 1st January, 2000	1,671,246	348,645	—	128,509
Advances	—	—	31,477	—
Repayment of borrowings	—	(94,263)	—	—
Acquisition of subsidiaries	—	—	—	2,760
Minority interests share of profits for the period	—	—	—	3,497
Minority interests share of hotel properties revaluation reserve	—	—	—	(3,874)
Issue of shares for cash	208,500	—	—	—
Shares issue expenses	(1,836)	—	—	—
Shares repurchase and cancelled:				
— consideration paid	(16,680)	—	—	—
— premium charged to accumulated profits	9,629	—	—	—
— transfer	7,051	—	—	—
At 31st December, 2000	1,877,910	254,382	31,477	130,892

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 35. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR/PERIOD (Continued)

	Share capital, share premium and capital redemption reserve HK\$'000	Bank borrowings HK\$'000	Other borrowings HK\$'000	Minority interests HK\$'000
Advances	—	153,759	—	—
Repayment of borrowings	—	(197,764)	(1,187)	—
Acquisition of subsidiaries	—	142,402	—	92,576
Contribution from minority interests	—	—	—	20,623
Dividend paid to minority interests	—	—	—	(8,377)
Minority interests share of profits for the year	—	—	—	12,058
Minority interests share of hotel properties revaluation reserve	—	—	—	3,220
Minority interests share of exchange transaction reserve	—	—	—	(31)
Shares repurchase and cancelled:				
— consideration paid	(9,896)	—	—	—
— premium charged to accumulated profits	4,710	—	—	—
— transfer	5,186	—	—	—
At 31st December, 2001	<u>1,877,910</u>	<u>352,779</u>	<u>30,290</u>	<u>250,961</u>

## 36. MAJOR NON-CASH TRANSACTIONS

- During the year, the Group capitalised an amount of approximately HK\$43.1 million due from Tianjin Winson as investment cost in Tianjin Winson.
- During the year, the Group capitalised a short-term loan of approximately HK\$15.9 million to a jointly controlled entity as investment cost in that entity.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 37. UNRECOGNISED DEFERRED TAXATION

At 31st December, 2001, the Group other than its subsidiaries in the PRC had an unrecognised deferred tax asset of approximately HK\$12 million (2000: HK\$7.7 million) which represents the tax effect of timing differences arising as a result of tax losses available to set off against future assessable profits. In addition, at 31st December, 2001, the Group's PRC subsidiary had an unrecognised deferred tax asset of approximately HK\$12.5 million (2000: HK\$7.5 million), representing the maximum benefit from unutilised tax losses which can be carried forward up to five years from the year in which the loss was originated to offset future taxable profits. These deferred tax assets have not been recognised in the financial statements as it is not certain that the benefit will be realised in the foreseeable future.

Deferred taxation has not been provided on the valuation surplus arising on the valuation of investment properties and hotel property as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, the valuation surplus does not constitute a timing difference for tax purposes.

The Company had no significant unprovided deferred taxation for the year/period or at the balance sheet date.

## 38. OPERATING LEASE ARRANGEMENTS

The Group as lessee:

Operating lease rentals in respect of:

- land and buildings
- satellite television channel

1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
3,705	130
<b>3,484</b>	<b>—</b>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 38. OPERATING LEASE ARRANGEMENTS (Continued)

At the balance sheet date, the Group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Satellite television channel		Office and factory premises	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	6,240	6,240	4,110	686
In the second to fifth year inclusive	24,960	24,960	14,579	282
Over five years	37,440	43,680	25,701	—
	<u>68,640</u>	<u>74,880</u>	<u>44,390</u>	<u>968</u>

Leases are negotiated for a term of fifteen years and rentals are fixed for an average of two years.

The Group as lessor:

Property rental income earned during the year was approximately HK\$45.4 million (1.4.2000 to 31.12.2000: HK\$35.8 million). Significant leases are negotiated for a lease term of 1 to 3 years.

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

	2001 HK\$'000	2000 HK\$'000
Within one year	32,284	39,792
In the second to fifth year inclusive	29,491	17,432
Over five years	1,033	1,509
	<u>62,808</u>	<u>58,733</u>



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 39. CAPITAL COMMITMENTS

### THE GROUP

Capital expenditure contracted for but not provided in the financial statements in respect of

- acquisition of property, plant and equipment
- acquisition of interests in an unlisted company

2001 HK\$'000	2000 HK\$'000
35,268	—
2,400	—
<u>37,668</u>	<u>—</u>

## 40. CONTINGENT LIABILITIES

At 31st December, 2001, the Company had given guarantees of approximately HK\$120 million (2000: HK\$142 million) to certain banks in respect of banking facilities granted to certain subsidiaries of the Company.

In addition, at 31st December, 2001, the Group had given a guarantee of approximately HK\$14.3 million (2000: HK\$14.3 million) to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group.

## 41. PLEDGE OF ASSETS

At the balance sheet date, bank deposits of HK\$28,580,000 (2000: HK\$13,407,000), certain of the Group's investment properties of approximately HK\$312,000,000 (2000: approximately HK\$301,725,000), other property interests and motor vessels with an aggregate net book value of approximately HK\$1,224,825,000 (2000: approximately HK\$1,000,067,000) and shares in certain subsidiaries and an associate were pledged to secure credit facilities granted to the Group.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

### 42. RETIREMENT BENEFITS SCHEME

The Company operates a defined contribution retirement benefits scheme for its qualifying employees. The assets of the scheme are held separately in a fund which is under the control of an independent trustee. The retirement benefits scheme contributions charged to the income statement represent the contributions payable by the Company to the fund at rates specified in the rules of the scheme. When there are employees who leave the scheme prior to becoming fully vested in the contributions, the amount of the forfeited contributions will be used to reduce future contributions payable by the Company.

The employees in the subsidiaries in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The subsidiary is required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits scheme is to make the required contributions under the scheme.

At the balance sheet date, there was no significant forfeited contributions, which arose upon employees leaving the retirement benefits scheme, available to reduce the contribution payable in the future years.

With effective from 1st December, 2000, the Group has also established a Mandatory Provident Fund scheme ("MPF Scheme"). The MPF scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rule of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rate specified in the rules. The only obligation of the Group with respect of MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the schemes.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

During the year/period, the Group had significant transactions and balances with related companies, some of which are also deemed to be connected persons pursuant to the Rules Governing the Listing of Securities on the Stock Exchange. The significant transactions with these companies during the year/period, and significant balances with them at the balance sheet date, are as follows:

### (I) CONNECTED PERSONS

#### (A) Transactions and balances with China Poly Group

	<b>THE GROUP</b>	
	<b>1.1.2001 to 31.12.2001 HK\$'000</b>	<b>1.4.2000 to 31.12.2000 HK\$'000</b>
Transactions:		
Subscription of new shares (note i)	—	208,500
Property rental income (note ii)	22,160	15,437
Manager remuneration paid (note iii)	11,093	5,716
Interest income (note iv)	—	378
Property leasing commission and management fees paid (note v)	<u>884</u>	<u>2,121</u>
	<b>2001 HK\$'000</b>	<b>2000 HK\$'000</b>
Balances:		
Trade and other receivables (note vi)	11,345	3,051
Trade and other payables (note vi)	29,683	40,048
Long term loan payable (note vii)	168,224	168,224
Property rental deposits (note viii)	<u>—</u>	<u>736</u>

**43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES**

**(I) CONNECTED PERSONS** *(Continued)*

**(A) Transactions and balances with China Poly Group** *(Continued)*

*Notes:*

- (i) The subscription of new shares were carried out under a subscription agreement signed on 29th March, 2000. Details of the subscription were set out in note 26(i).
- (ii) Of this rental income, an amount of HK\$22,160,000 (2000: HK\$13,549,000) is related to tenancy agreements which were previously approved by shareholders, who have no interest in the transactions of the Company, in extraordinary general meetings; and an amount of nil (2000: HK\$1,888,000) is related to tenancy agreements which were previously disclosed in the Company's press announcements.

The rentals were charged in accordance with the relevant tenancy agreements and the prevailing rent is equivalent or approximate to the market rentals as certified by an independent firm of professional property valuers at the time of the agreements were signed.
- (iii) The manager remuneration was calculated as a percentage of the gross profit before tax of a subsidiary of the Company managed by China Poly Group.
- (iv) As disclosed in the Company's announcement, in April 2000, a wholly-owned subsidiary of the Company granted an unsecured loan facility of up to RMB20,000,000 to Poly Southern Co. ("Poly Southern"), a wholly owned subsidiary of China Poly Group. The loan carried interest at 8% per annum and was matured 3 months after the drawdown. Poly Southern drew down the loan in April 2000 and repaid the principal together with interest in July 2000.
- (v) The property leasing commission and management fees were calculated with reference to the rental income of certain of the Group's properties managed by China Poly Group.
- (vi) The balances are unsecured, interest-free and repayable on demand.
- (vii) Details of the terms are set out in note 31.
- (viii) Rental deposits were repayable when the related tenancy agreements expired.

**43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES**

**(I) CONNECTED PERSONS** *(Continued)*

**(A) Transactions and balances with China Poly Group** *(Continued)*

In addition, on 26th January, 2000, the Group and China Poly Group entered into an agreement (the "Supplemental Agreement") supplemental to the management agreement dated 11th June, 1997 (the "Management Agreement") between the same parties. Pursuant to the Supplemental Agreement, the profit guarantee provided by China Poly Group under the Management Agreement would be suspended for the two years ended 31st December, 2001 and extended to cover the two years following its expiry on 31st December, 2007 until 31st December, 2009, based on the mechanism provided in the Management Agreement. The Supplemental Agreement was approved by shareholders in an extraordinary general meeting on 17th March, 2000.

Furthermore, pursuant to a conditional agreement and a supplementary agreement entered into by the Group and China Poly Group in March 2000 and September 2000 respectively, the Group acquired a 49% interest in Polystar Digidisc Co., Ltd. ("Polystar") and has an option to acquire another 17% of the existing registered capital in Polystar subject to the fulfillment of certain conditions. The consideration was approximately HK\$15,237,000 (RMB16,380,000). The conditions precedent were satisfied in November 2000 and the acquisition was approved by the PRC authorities in December 2000. The acquisition was previously disclosed in the Company's press announcements.

**(B) Proportional financing to a jointly controlled entity**

Since May 1997, the Group has given a guarantee of approximately HK\$14.3 million to a bank in respect of credit facilities granted to prospective purchasers of properties developed by a jointly controlled entity of the Group, Tianjin Winson, in proportion to the Group's equity interest in Tianjin Winson. The Group has also made unsecured, interest-free advances to Tianjin Winson in proportion to its equity interest in Tianjin Winson. The balance of advances and accrued interest at 31st December, 2001 amounted to approximately HK\$40.5 million (31.12.2000: HK\$92,571,000). During the year, all the shareholders of Tianjin Winson agreed to waive their interest receivable from Tianjin Winson. The amount waived by the Group was approximately HK\$43.1 million. China Poly Group also has a 20% indirect beneficial interest in Tianjin Winson other than that held by the Group.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 43. CONNECTED AND RELATED PARTY TRANSACTIONS AND BALANCES

### (I) CONNECTED PERSONS *(Continued)*

#### (C) *Disproportionate financing*

Prior to Taicang Xinhaikang Xiexin Thermal Power Company Limited ("Taicang Xinhaikang") became a 51% indirectly owned subsidiary of the Group, during the year, the Group had provided a shareholder's loan of approximately HK\$16.9 million to Taicang Xinhaikang; whereas the minority shareholder had provided a shareholder's loan of approximately HK\$21.2 million to Taicang Xinhaikang.

### (II) RELATED PARTIES, OTHER THAN CONNECTED PERSONS

		THE GROUP	
		1.1.2001 to 31.12.2001 HK\$'000	1.4.2000 to 31.12.2000 HK\$'000
Related parties	Nature of transactions		
Associate	Management fees received (note i)	12,000	9,000
Jointly controlled entities	Interest income received (note ii)	2,912	3,557

Notes:

- (i) The management fees were charged to the associate with reference to the administration costs incurred by the Group.
- (ii) Interest income was calculated with reference to the principal outstanding and at market interest rates.
- (iii) Balances with the Group's jointly controlled entities are set out in note 19.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 44. PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries, all of which are wholly-owned and held indirectly by the Company except otherwise indicated, at 31st December, 2001 are as follows:

<b>Name of subsidiary</b>	<b>Place of incorporation/ establishment</b>	<b>Nominal value of issued and fully paid share capital/ registered capital</b>	<b>Principal activity</b>
Bassington Investments Limited	Hong Kong	HK\$2	Property investment
Bontec Developments Ltd.	British Virgin Islands	US\$2	Investment holding
California Hero Property Limited	British Virgin Islands	US\$1	Investment holding
CMIC Finance Limited #	Hong Kong	HK\$2	Financial services
CMIC Management Services Limited #	Hong Kong	HK\$100	Management services
CMIC-NCHK Energy Holdings Limited	British Virgin Islands	US\$100	Investment holding
CMIC Trading Limited #	Hong Kong	HK\$2	General trading
Fainland Limited	Hong Kong	HK\$2	Property investment
First Great Investments Limited	Hong Kong	HK\$2	Investment holding
Geldy Limited	Hong Kong	HK\$10,000	Property holding
Gold Star Enterprises S.A.	Liberia	US\$10,000	Ship owning
Golden Mountain Limited	British Virgin Islands	US\$1	Investment holding
Grandful International Limited	Hong Kong	HK\$2	Investment holding

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
High Wealth International Limited	Hong Kong	HK\$2	Property investment
Honorlink Investments Limited	Hong Kong	HK\$2	Property investment
Jinfeng Shipping Inc.	Panama	US\$2	Ship owning
New Gain Limited	British Virgin Islands	US\$350	Investment holding
Overseas Mariner Investment Company Limited #	Bermuda	US\$12,000	Investment holding
Poly Plaza Limited ("PPL") *	PRC	US\$10,000,000	Investment, management and operation of a hotel complex
Polystar Digidisc Co., Ltd. ** ("Polystar")	PRC	RMB9,000,000	Manufacturing and wholesaling of compact discs, video compact discs and digital video discs
Prime Brilliant Limited	Hong Kong	HK\$2	Property investment
Propwood Limited	Hong Kong	HK\$2	Property investment
Regal Step Investments Limited	Hong Kong	HK\$2	Property investment
Richwood Corporation	Liberia	US\$10,000	Ship owning
Saneble Limited	Hong Kong	HK\$2	Property investment
Shengzhou Xinzhonggang Thermal Power Co., Ltd. ("Shengzhou")***	PRC	RMB123,000,000	Provision of electricity and gas
Silver Point Assets Limited #	British Virgin Islands	US\$1	Investment holding



# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ establishment	Nominal value of issued and fully paid share capital/ registered capital	Principal activity
Silver Spirit Enterprises Limited	British Virgin Islands	US\$1	Investment holding
Taicang Xinhaikang ****	PRC	RMB84,150,000	Provision of electricity and gas
Taksin Limited #	British Virgin Islands	US\$1	Investment holding
Topower Assets Limited #	British Virgin Islands	US\$1	Securities investment
Upperace Developments Ltd. #	British Virgin Islands	US\$1	Securities investment
Volgala International Ltd.	British Virgin Islands	US\$1	Securities investment

# These subsidiaries are directly held by the Company.

\* PPL is 75% indirectly held by the Company and established for a term of 17 years commencing 9th July, 1986 (see note 12(i) for details in connection with the arrangement to extend the joint venture term).

\*\* Polystar is 66% indirectly held by the Company and established for a term of 20 years commencing 18th December, 2000.

\*\*\* Shengzhou is 52% indirectly held by the Company and established for a term of 35 years commencing 17th October, 1997.

\*\*\*\* Taicang Xinhaikang is 51% indirectly held by the Company and established for a term of 17 years commencing 17th March, 1999.

The above table only lists those subsidiaries of the Company 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.

All the above subsidiaries are principally operating in their place of incorporation/establishment except otherwise stated.

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 45. BUSINESS AND GEOGRAPHICAL SEGMENTS

### For the year ended 31st December, 2001

	Property investment and management HK\$'000	Shipping HK\$'000	Manufacturing and media HK\$'000	Hotel and restaurant operations HK\$'000	Financial services HK\$'000	Supply of electricity and gas HK\$'000	Eliminations HK\$'000	Total HK\$'000
<b>By principal activity</b>								
REVENUE								
External revenue	75,736	70,685	58,510	51,689	48,737	36,619	—	341,976
Inter-segment revenue	6,110	—	—	—	36,312	—	(42,422)	—
Total revenue	<u>81,846</u>	<u>70,685</u>	<u>58,510</u>	<u>51,689</u>	<u>85,049</u>	<u>36,619</u>	<u>(42,422)</u>	<u>341,976</u>
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS	<u>35,292</u>	<u>(16,026)</u>	<u>(893)</u>	<u>7,999</u>	<u>17,509</u>	<u>6,472</u>	<u>—</u>	50,353
Central administrative expenses								(15,184)
Profit from operations								35,169
Finance costs								(18,123)
Share of losses of associates	—	—	(10,417)	—	(1,278)	—		(11,695)
Share of losses of jointly controlled entities	(9,183)	—	—	—	—	2,984		(6,199)
Loss before taxation								(848)
Taxation								(1,919)
Loss before minority interests								<u>(2,767)</u>
<b>ASSETS AND LIABILITIES AT 31ST DECEMBER, 2001</b>								
ASSETS								
Segment assets	945,303	365,272	114,578	669,149	426,976	411,254		2,932,532
Interest in associates	—	—	303,052	—	71,418	—		374,470
Interest in jointly controlled entity	47,654	—	—	—	—	—		47,654
	<u>992,957</u>	<u>365,272</u>	<u>417,630</u>	<u>669,149</u>	<u>498,394</u>	<u>411,254</u>		<u>3,354,656</u>
LIABILITIES								
Segment liabilities	(71,600)	(8,665)	(58,060)	(87,179)	(2,841)	(106,832)		(335,177)
Unallocated corporate liabilities								(553,844)
								<u>(889,021)</u>
<b>OTHER INFORMATION</b>								
Capital expenditure	1,479	—	20,698	2,174	—	365,124		389,475
Depreciation and amortisation	8,806	23,644	9,847	10,257	—	4,237		56,791
Impairment losses recognised in income	<u>—</u>	<u>29,591</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>		<u>29,591</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 45. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### For the year ended 31st December, 2001 (Continued)

An analysis of the Group's turnover and contribution to operating results by geographical location of its customers is presented below:

	Hong Kong HK\$'000	The PRC other than Hong Kong HK\$'000	Other parts of the world HK\$'000	Total HK\$'000
REVENUE	67,540	203,402	71,034	341,976
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS	25,640	40,390	(15,677)	50,353
Central administrative expenses				(15,184)
Profit from operations				35,169
Finance costs				(18,123)
Share of losses of associates	—	(11,695)	—	(11,695)
Share of losses of jointly controlled entities	—	(6,199)	—	(6,199)
Loss before taxation				(848)
Taxation				(1,919)
Loss before minority interests				(2,767)

The following is an analysis of the carrying amount of segment assets, and capital expenditure analysed by the geographical area in which the assets are located.

#### ASSETS

Carrying amount of segment assets	497,941	2,069,319	365,272	2,932,532
Capital expenditure	364	389,111	—	389,475

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 45. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### For the year ended 31st December, 2000 (Continued)

	Property investment and management HK\$'000	Shipping HK\$'000	Manufacturing and media HK\$'000	Hotel and restaurant operations HK\$'000	Financial services HK\$'000	Supply of electricity and gas HK\$'000	Eliminations HK\$'000	Total HK\$'000
<b>By principal activity</b>								
REVENUE								
External revenue	50,085	54,846	1,094	27,259	55,409	—	—	188,693
Inter-segment revenue	6,833	—	—	—	14,000	—	(20,833)	—
Total revenue	<u>56,918</u>	<u>54,846</u>	<u>1,094</u>	<u>27,259</u>	<u>69,409</u>	<u>—</u>	<u>(20,833)</u>	<u>188,693</u>
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS	<u>(8,878)</u>	<u>9,078</u>	<u>1,056</u>	<u>(5,205)</u>	<u>5,717</u>	<u>—</u>	<u>—</u>	<u>1,768</u>
Central administrative expenses								(17,740)
Loss from operations								(15,972)
Finance costs								(15,541)
Share of losses of associates	—	—	(7,783)	—	—	—		(7,783)
Share of losses of jointly controlled entities	(11,951)	—	—	—	—	3,788		(8,163)
Loss before taxation								(47,459)
Taxation								(1,692)
Loss before minority interests								<u>(49,151)</u>
<b>ASSETS AND LIABILITIES AT 31ST DECEMBER, 2000</b>								
ASSETS								
Segment assets	948,125	418,427	82,742	659,331	567,699	—		2,676,324
Interest in associates	—	—	237,349	—	73,738	—		311,087
Interest in jointly controlled entities	53,925	—	—	—	—	52,418		106,343
	<u>1,002,050</u>	<u>418,427</u>	<u>320,091</u>	<u>659,331</u>	<u>641,437</u>	<u>52,418</u>		<u>3,093,754</u>
LIABILITIES								
Segment liabilities	(80,463)	(19,589)	(152,958)	(29,058)	(1,696)	—		(283,764)
Unallocated corporate liabilities								(456,263)
								<u>(740,027)</u>
<b>OTHER INFORMATION</b>								
Capital expenditure	21,082	—	58,748	40,782	—	—		120,612
Depreciation and amortisation	5,022	17,814	—	4,302	—	—		27,138
Impairment losses recognised in income	<u>26,949</u>	<u>—</u>	<u>—</u>	<u>7,543</u>	<u>19,108</u>	<u>—</u>		<u>53,600</u>

# NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31st December, 2001

## 45. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

### For the year ended 31st December, 2000 (Continued)

An analysis of the Group's turnover and contribution to operating results by geographical location of its customers is presented below:

	Hong Kong HK\$'000	The PRC other than Hong Kong HK\$'000	Other parts of the world HK\$'000	Total HK\$'000
REVENUE	68,901	64,946	54,846	188,693
CONTRIBUTION TO PROFIT (LOSS) FROM OPERATIONS	18,291	(25,601)	9,078	1,768
Central administrative expenses				(17,740)
Loss from operations				(15,972)
Finance costs				(15,541)
Share of losses of associates	—	(7,783)	—	(7,783)
Share of losses of jointly controlled entities	—	(8,163)	—	(8,163)
Loss before taxation				(47,459)
Taxation				(1,692)
Loss before minority interests				(49,151)

The following is an analysis of the carrying amount of segment assets, and capital expenditures analysed by the geographical area in which the assets are located.

#### ASSETS

Carrying amount of segment assets	684,377	1,573,519	418,427	2,676,323
Capital expenditure	140	120,472	—	120,612