

# Notes on the Financial Statements

*(Expressed in Hong Kong dollars)*

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. A summary of the significant accounting policies adopted by the Group is set out below.

### (b) Basis of preparation of the financial statements

The measurement basis used in the preparation of the financial statements is historical cost modified by the revaluation of investment properties, and the marking to market of certain investments in securities as explained in the accounting policies set out below.

### (c) Subsidiaries

A subsidiary, in accordance with the Hong Kong Companies Ordinance, is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half the voting power, or controls the composition of the board of directors. Subsidiaries are considered to be controlled if the Company has the power, directly or indirectly, to govern the financial and operating policies, so as to obtain benefits from their activities.

An investment in a controlled subsidiary is consolidated into the consolidated financial statements, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the consolidated balance sheet at fair value with changes in fair value recognised in accordance with the policy on investment in securities (see note 1(j)(i)).

Intra-group balances and transactions, and any unrealised profits arising from intra-group transactions, are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

## **Notes on the Financial Statements** (Continued)

*(Expressed in Hong Kong dollars)*

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

#### **(c) Subsidiaries** (Continued)

In the Company's balance sheet, an investment in a subsidiary is stated at cost less any impairment losses (see note 1(i)), unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Company, in which case, it is stated at fair value with changes in fair value recognised in accordance with the policy on investment in securities (see note 1(j)(i)).

#### **(d) Associates**

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the investor, in which case it is stated at fair value with changes in fair value recognised in accordance with the policy on investment in securities (see note 1(j)(i)). The consolidated profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(e).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in the profit and loss account.

The results of associates are included in the Company's profit and loss account to the extent of dividends received and receivable. In the Company's balance sheet, its investments in associates are stated at cost less impairment losses (see note 1(i)). Any such provisions are recognised as an expense in the profit and loss account.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Goodwill

Positive goodwill arising on consolidation represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable assets and liabilities acquired. In respect of controlled subsidiaries and associates:

- for acquisitions before 1 January 2001, positive goodwill is eliminated against reserves and is reduced by impairment losses (see note 1(i)); and
- for acquisition on or after 1 January 2001, positive goodwill is amortized to the consolidated profit and loss account on a straight-line basis over its estimated useful life which does not exceed 20 years. Positive goodwill is stated in the consolidated balance sheet at cost less any accumulated amortization and any impairment losses (see note 1(i)).

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. Negative goodwill is accounted for as follows:

- for acquisitions before 1 January 2001, negative goodwill is credited to a capital reserve; and
- for acquisition on or after 1 January 2001, to the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the useful life of those non-monetary assets that are depreciable/amortizable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

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

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Fixed assets

(i) *Fixed assets are carried in the balance sheets on the following bases:*

- investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;
- hotel and other properties are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)).
- furniture, fixtures and equipment and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1 (i)).

(ii) *Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:*

- when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and
- when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.

(iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.

(iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Properties under development

##### (i) Property under development held for long term purpose

Property under development held for long term purpose is stated in the balance sheet at cost less impairment losses (see note 1(i)). Cost comprises land cost, any interest paid during the development period capitalised and development expenditure.

##### (ii) Properties under development held for sale

Properties under development held for sale are stated in the balance sheet at cost less provision for any anticipated loss where appropriate. Cost comprises land cost, any interest paid during the development period capitalised and development expenditure.

#### (h) Depreciation

##### (i) Investment properties

No depreciation is provided on investment properties with an unexpired lease term of more than 20 years, including renewal periods, since the valuation takes into account the state of the property at the date of valuation.

##### (ii) Properties under development

No depreciation is provided on properties under development.

##### (iii) Hotel property

Depreciation on hotel property is provided on a straight line basis over the shorter of the joint venture period and 25 years on the cost of the hotel property.

##### (iv) Other properties

Depreciation is provided on other properties on a straight line basis over the unexpired period of the lease.

##### (v) Other fixed assets

Depreciation is calculated to write off the cost of these assets on a straight line basis over their estimated useful lives as follows:

Furniture, fixtures and equipment	—	3 to 5 years
Motor vehicles	—	6 $\frac{2}{3}$ years

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (i) Impairment of assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications on the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

- fixed assets (other than properties carried at revalued amounts);
- properties under development held for long term purpose;
- investments in subsidiaries and associates; and
- positive goodwill (whether taken initially to reserves or recognised as an asset).

If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

##### *(i) Calculation of recoverable amount*

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the assets. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

##### *(ii) Reversals of impairment losses*

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

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

## **Notes on the Financial Statements** (Continued)

*(Expressed in Hong Kong dollars)*

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

#### **(j) Investments in securities**

The Group's and the Company's policies for investments in securities other than investments in subsidiaries and associates are as follows:—

- (i) Non-trading investments are stated in the balance sheet at their fair values. Changes in fair value are recognised in the investment revaluation reserve until the investment is sold, collected, or otherwise disposed of, or until there is objective evidence that the investments is impaired, at which time the relevant cumulative gain or loss is transferred from the investment revaluation reserve to the profit and loss account.
- (ii) Transfers from the investment revaluation reserve to the profit and account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.
- (iii) Profits or losses on disposal of non-trading investments are accounted for in the profit and loss account as they arise. The profit or loss includes any amount previously held in the investment revaluation reserve in respect of that investment.

#### **(k) Properties held for sale**

Properties held for sale are stated at the lower of cost and the estimated net realisable value. Cost is determined by apportionment of the total purchase/construction costs attributable to the unsold units. Net realisable value represents the estimated selling price which is determined by reference to management estimates based on prevailing market conditions, less costs to be incurred in selling the property.

#### **(l) Other inventories**

Inventories are carried at the lower of cost and net realisable value. Cost represents purchase cost computed on a first in first out basis. Net realisable value is 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.

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

## **Notes on the Financial Statements** (Continued)

*(Expressed in Hong Kong dollars)*

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

#### **(m) Cash equivalents**

Cash equivalents are short-term, highly liquid investments which are readily convertible into known amounts of cash without notice and which were within three months of maturity when acquired. For the purposes of the cash flow statement, cash equivalents would also include advances from banks repayable within three months from the date of the advance.

#### **(n) Deferred taxation**

Deferred taxation is provided using the liability method in respect of the taxation effect arising from all material timing differences between the accounting and tax treatment of income and expenditure, which are expected with reasonable probability to crystallise in the foreseeable future.

Future deferred tax benefits are not recognised unless their realisation is assured beyond reasonable doubt.

#### **(o) Provisions and contingent liabilities**

Provisions are recognised for liabilities of uncertain timing or amount when the Company or Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

#### **(p) Revenue recognition**

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in the profit and loss account as follows:—

- (i) Revenue arising from properties held for sale is recognised upon the completion of the sales agreements or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under trade and other payables.



## **Notes on the Financial Statements** (Continued)

*(Expressed in Hong Kong dollars)*

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

#### **(p) Revenue recognition** (Continued)

- (ii) Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.
- (iii) Hotel and club revenue from room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.
- (iv) Interest income is accrued on a time-apportioned basis on the principal outstanding and at the rates applicable.
- (v) Management fee is recognised when the services are rendered.

#### **(q) Translation of foreign currencies**

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies and the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date. Exchange gains and losses on foreign currency translation are dealt with in the profit and loss account, except for those arising from the translation of the financial statements of overseas subsidiaries and associates which are taken directly to exchange reserve.

#### **(r) Operating leases**

Where the Group has the use of assets under operating leases, payments made under the leases are charged to the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in the profit and loss account as an integral part of the aggregate net lease payments made. Contingent rentals are charged to the profit and loss account in the accounting period in which they are incurred.

#### **(s) Retirement costs**

Contributions to the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and central pension schemes operated by the local governments in the People's Republic of China ("PRC") are charged to the profit and loss account when incurred.

## **Notes on the Financial Statements** (Continued)

*(Expressed in Hong Kong dollars)*

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

#### **(s) Retirement costs** (Continued)

Contributions to the social insurance fund schemes operated by the local governments in Vietnam are capitalised as part of properties under development when incurred during the construction period.

#### **(t) Borrowing costs**

Borrowing costs are expensed in the profit and loss account in the year in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

#### **(u) Affiliated companies**

An affiliated company is a company, not being a subsidiary or an associate, in which a director of the Company has a significant beneficial interest.

#### **(v) Related parties**

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities, and include affiliated companies.

#### **(w) Segment reporting**

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

Information relating to geographical segments based on the location of assets is chosen as the primary reporting format because this is considered by management to be more relevant to the Group in making operating and financial decisions.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (w) Segment reporting (Continued)

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, corporate and financing expenses and minority interests.

### 2. TURNOVER

The principal activities of the Group are property investment and development, hotel and club operations and management.

Turnover represents the proceeds from the sale of properties, rental income and income from hotel and club operations and management. The amount of each significant category of revenue recognised in turnover during the year is as follows:

	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Proceeds on sale of properties	<b>194,916</b>	65,459
Rental income	<b>6,643</b>	5,495
Hotel and club operations	<b>39,898</b>	28,811
Management fee income	<b>5,132</b>	5,064
	<b><u>246,589</u></b>	<u>104,829</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 3. OTHER REVENUE AND OTHER NET LOSS

	2001 \$'000	2000 \$'000
<b>(a) Other revenue</b>		
Interest income	3,408	4,961
Dividend income from non-trading listed investments	17	18
Others	743	659
	<u>4,168</u>	<u>5,638</u>
	2001 \$'000	2000 \$'000
<b>(b) Other net loss</b>		
Exchange loss	(1,402)	(474)
Compensation costs	—	(5,671)
Profit/(loss) on disposal of fixed assets	2	(2,701)
Loss on disposal of properties under development	(8,402)	—
	<u>(9,802)</u>	<u>(8,846)</u>

### 4. PROFIT/(LOSS) BEFORE TAXATION

2001 \$'000	2000 \$'000
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Profit/(loss) before taxation is arrived at after charging/(crediting):

#### (a) Finance costs

Interest on bank overdraft and other advances repayable within five years	17,280	25,310
Interest paid on amounts due to an affiliated company	9,505	13,892
Other borrowing costs	671	391
	<u>27,456</u>	<u>39,593</u>
Total borrowing costs	27,456	39,593
Less: Borrowing costs capitalised into properties under development *	(6,749)	(9,842)
	<u>20,707</u>	<u>29,751</u>

\* The borrowing costs have been capitalised at a rate of 3-8% per annum (2000: 7-9% per annum) for properties under development.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 4. PROFIT/(LOSS) BEFORE TAXATION (Continued)

#### (b) Other items

Cost of properties sold	<b>132,765</b>	36,853
Cost of inventories	<b>7,044</b>	5,772
Staff cost (including retirement costs of \$657,000 (2000: \$564,000))	<b>16,006</b>	17,918
Depreciation	<b>31,812</b>	31,462
Auditors' remuneration	<b>906</b>	984
Operating lease charges for hire of premises	<b>254</b>	278
Rentals receivable from investment properties less direct outgoings	<b>(4,854)</b>	(4,001)
Other rental income less direct outgoings	<b>(1,392)</b>	(1,035)

### 5. DIRECTORS' REMUNERATION

- (a) Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	<b>2001</b> <b>\$'000</b>	2000 \$'000
Fees	<b>39</b>	65
Salaries and other emoluments	<b>480</b>	480
Discretionary and performance related bonuses	<b>40</b>	80
Retirement scheme contributions	<b>—</b>	—
	<b>559</b>	625

Included in the above are the following payments to independent non-executive directors:

	<b>2001</b> <b>\$'000</b>	2000 \$'000
Fees	<b>10</b>	15

- (b) The directors' remuneration is in the following range:

	<b>2001</b> <b>Number of</b> <b>Directors</b>	2000 Number of Directors
Nil — \$1,000,000	<b>6</b>	7

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 6. MANAGEMENT REMUNERATION

- (a) The aggregate amount of the remuneration of the four (2000: four) employees who, not being directors of the Company, are amongst the top five highest paid individuals, including directors, employed by the Group is as follows:

	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Salaries and other emoluments	<b>1,977</b>	2,371
Discretionary and performance related bonuses	<b>168</b>	307
Retirement scheme contributions	—	—
	<b><u>2,145</u></b>	<b><u>2,678</u></b>

- (b) The employees' remuneration is in the following range:

	<b>2001</b>	2000
	<b>Number of</b>	Number of
	<b>Individuals</b>	Individuals
Nil — \$1,000,000	<b><u>4</u></b>	<b><u>4</u></b>

### 7. TAXATION

- (a) Taxation in the consolidated profit and loss account represents:

	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Provision for Hong Kong profits tax for the year	—	—
Overseas taxation		
— current year	<b>7,878</b>	1,098
— prior year	<b>(20,438)</b>	(19,545)
	<b>(12,560)</b>	(18,447)
Share of associates' taxation	<b><u>1,459</u></b>	<b><u>(2,627)</u></b>
Taxation credit	<b><u>(11,101)</u></b>	<b><u>(21,074)</u></b>

Overseas taxation is calculated at the applicable rates on overseas assessable profits. No provision has been made for Hong Kong profits tax as the Company and its Hong Kong subsidiaries sustained a loss for Hong Kong taxation purposes during the year.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 7. TAXATION (Continued)

- (b) No provision for deferred taxation has been made in the financial statements as the Group has net deferred tax assets, the future realisation of which is uncertain. The major component of the deferred tax assets is the future benefit of tax losses which amounts to \$1,510,000 (2000: \$3,064,000).

### 8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a loss of \$1,721,000 (2000: \$2,639,000) which has been dealt with in the financial statements of the Company.

### 9. DIVIDENDS

#### (a) Dividends attributable to the year

	2001 \$'000	2000 \$'000
Interim dividend declared and paid of \$Nil cent (2000: \$Nil cent) per share	—	—
Final dividend proposed after the balance sheet date of \$Nil cent (2000: \$Nil cent) per share	—	—
	<u>—</u>	<u>—</u>

#### (b) Dividends attributable to the previous financial year, approved and paid during the year

	2001 \$'000	2000 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$Nil cent (2000: 0.5 cents) per share	—	1,701
	<u>—</u>	<u>1,701</u>

### 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$27,293,000 (2000: \$6,948,000) and on the 340,200,000 ordinary shares in issue during both years 2001 and 2000.

## **Notes on the Financial Statements** (Continued)

*(Expressed in Hong Kong dollars)*

### **11. CHANGES IN ACCOUNTING POLICY**

#### **Dividends**

In prior years, dividends proposed or declared were recognised as a liability in the accounting period to which they related. With effect from 1 January 2001, in order to comply with Statement of Standard Accounting Practice 9 (revised) issued by the Hong Kong Society of Accountants, the Group recognises dividends proposed or declared as a liability in the accounting period in which they are declared by the directors (in the case of interim dividends) or approved by the shareholders (in the case of final dividends). Consequently, dividend income from subsidiaries and associates is recognised as income in the Company's profit and loss account in the accounting period in which they are declared.

The new accounting policy has been adopted retrospectively, with the opening balance of retained profits and the comparative information adjusted for the amounts relating to prior periods.

### **12. SEGMENT REPORTING**

#### **(a) Geographical segments by the location of customers and by the location of assets**

The Group's business operations is mainly sub-divided into the Macau, PRC, Vietnam, Canada and other markets classified by the location of assets.

#### **(b) Business segments**

The Group's business segments comprise of the following:

- (i) Property development, investment and management
- (ii) Hotel and club operations



## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 12. SEGMENT REPORTING

#### Geographical segments

	Year ended 31 December											
	Macau		PRC		Vietnam		Canada		Others		Total	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Turnover	204,233	76,971	34,519	25,165	—	—	1,643	1,720	6,194	973	246,589	104,829
Other revenue												
— allocated	648	592	—	—	—	—	—	—	—	—	648	592
— unallocated	—	—	—	—	—	—	—	—	3,520	5,046	3,520	5,046
Total revenue	<u>204,881</u>	<u>77,563</u>	<u>34,519</u>	<u>25,165</u>	<u>—</u>	<u>—</u>	<u>1,643</u>	<u>1,720</u>	<u>9,714</u>	<u>6,019</u>	<u>250,757</u>	<u>110,467</u>
Segment result	37,863	2,632	(26,024)	(30,323)	(279)	(768)	(27)	23	(7,628)	(465)	3,905	(28,901)
Finance costs											(20,707)	(29,751)
Share of profits												
less losses of associates	(12)	(9)	18,290	10,609	8,577	7,516	4,585	4,415	(3)	(3)	31,437	22,528
Profit/(loss) before taxation											14,635	(36,124)
Taxation credit											<u>11,101</u>	<u>21,074</u>
Profit/(loss) after taxation											25,736	(15,050)
Minority interests											<u>1,557</u>	<u>21,998</u>
Profit attributable to shareholders											<u>27,293</u>	<u>6,948</u>
Depreciation and amortisation	5,463	5,880	26,317	25,487	29	93	—	—	3	3		

Segment result of the “others” segment included a loss on disposal of freehold land of \$8,402,000 for the year ended 31 December 2001.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 12. SEGMENT REPORTING (Continued)

#### Geographical segments (Continued)

	Year ended 31 December											
	Macau		PRC		Vietnam		Canada		Others		Total	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Capital expenditure incurred during the year	377	33	1,543	275	5,677	569	—	—	—	—	7,597	877
Segment assets #	739,349	852,464	240,286	259,666	735,689	719,076	—	—	22,278	38,279	1,737,602	1,869,485
Interest in associates	—	—	147,084	129,703	178,923	196,175	38,768	39,436	5,039	5,053	369,814	370,367
Unallocated assets	—	—	—	—	—	—	—	—	59,217	77,983	59,217	77,983
Total assets	739,349	852,464	387,370	389,369	914,612	915,251	38,768	39,436	86,534	121,315	2,166,633	2,317,835
Segment liabilities#	61,141	69,947	19,026	26,092	16,425	82,257	6	10	11,628	11,577	108,226	189,883
Unallocated liabilities	—	—	—	—	—	—	—	—	564,819	638,978	564,819	638,978
Total liabilities	61,141	69,947	19,026	26,092	16,425	82,257	6	10	576,447	650,555	673,045	828,861
Minority interests											212,562	245,020
Additional information concerning geographical segments:												
Revenue from external customers by their location	204,233	76,971	34,519	25,165	—	—	1,643	1,720	6,194	973	246,589	104,829

# Segment assets and liabilities are before elimination of inter-segment balances.

#### Business segments

	Year ended 31 December							
	Property development, investment & management		Hotel and club operations		Unallocated		Total	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Revenue from external customers	206,691	76,018	39,898	28,811	—	—	246,589	104,829
Segment assets #	907,567	1,017,402	1,194,840	1,217,397	64,256	83,036	2,166,663	2,317,835
Contribution to profit/(loss) from operations	33,690	6,550	(29,785)	(35,451)	—	—	3,905	(28,901)
Capital expenditure incurred during the year	326	24	7,271	853	—	—	7,597	877

# Segment assets are before elimination of inter-segment balances.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 13. FIXED ASSETS

#### (a) The Group

	Hotel property \$'000	Other properties \$'000	Furniture, fixtures and equipment \$'000	Motor vehicles \$'000	Sub- total \$'000	Investment properties \$'000	Total \$'000
Cost or valuation:							
At 1 January 2001	215,045	89,886	94,098	6,179	405,208	133,800	539,008
Additions	1,323	—	271	326	1,920	—	1,920
Disposals	(45)	—	(7)	(441)	(493)	—	(493)
Surplus on revaluation	—	—	—	—	—	10,000	10,000
Exchange adjustments	4,581	—	2,497	59	7,137	—	7,137
	<u>220,904</u>	<u>89,886</u>	<u>96,859</u>	<u>6,123</u>	<u>413,772</u>	<u>143,800</u>	<u>557,572</u>
At 31 December 2001	220,904	89,886	96,859	6,123	413,772	143,800	557,572
Representing:							
Cost	220,904	89,886	96,859	6,123	413,772	—	413,772
Valuation — 2001	—	—	—	—	—	143,800	143,800
	<u>220,904</u>	<u>89,886</u>	<u>96,859</u>	<u>6,123</u>	<u>413,772</u>	<u>143,800</u>	<u>557,572</u>
Accumulated Depreciation:							
At 1 January 2001	15,129	9,012	37,702	4,207	66,050	—	66,050
Charge for the year	8,863	3,595	18,685	669	31,812	—	31,812
Written back on disposals	(40)	—	(5)	(441)	(486)	—	(486)
Exchange adjustments	448	—	885	25	1,358	—	1,358
	<u>24,400</u>	<u>12,607</u>	<u>57,267</u>	<u>4,460</u>	<u>98,734</u>	<u>—</u>	<u>98,734</u>
At 31 December 2001	24,400	12,607	57,267	4,460	98,734	—	98,734
Net book value:							
At 31 December 2001	<u>196,504</u>	<u>77,279</u>	<u>39,592</u>	<u>1,663</u>	<u>315,038</u>	<u>143,800</u>	<u>458,838</u>
At 31 December 2000	<u>199,916</u>	<u>80,874</u>	<u>56,396</u>	<u>1,972</u>	<u>339,158</u>	<u>133,800</u>	<u>472,958</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 13. FIXED ASSETS (Continued)

#### (a) The Group (Continued)

- (i) The investment properties comprise various units of Luso International Bank Building and Ocean Gardens in Macau. The lease of Luso International Bank Building is for a period of 50 years, commencing from 6 May 1957 and thereafter renewable for successive periods of 10 years up to 19 December 2049. The lease of Ocean Gardens is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.
- (ii) The investment properties were revalued by Chesterton Petty Limited, an independent firm of professional surveyors, at 31 December 2001 on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential.
- (iii) The formal transfer of titles of the relevant units of the investment properties in Luso International Bank Building into the subsidiary's name amounting to \$23,000,000 (2000: \$21,300,000) had not been completed (note 28).
- (iv) At 31 December 2001, certain investment properties, other properties and a hotel property together with its integral fixtures and fittings of the Group with a net book value of \$434,574,000 (2000: \$448,871,000) were mortgaged to various banks to secure banking facilities granted to the Group.
- (v) Hotel property comprises land use right for 30 years commencing on 21 August 1995 granted to and buildings held by a subsidiary in Wuhan, the People's Republic of China.
- (vi) Other properties comprise a club house situated in Ocean Gardens. The lease of the club house is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.
- (vii) The gross amounts of fixed assets of the Group held for use in operating leases were \$143,800,000 (2000: \$133,800,000).
- (viii) The Group leases out investment properties under operating lease, which generally run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease payments may be varied periodically to reflect market rental. None of the leases includes contingent rentals.

The gross amount of investment properties of the Group held for use in operating leases were \$143,800,000 (2000: \$133,800,000).

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 13. FIXED ASSETS (Continued)

#### (a) The Group (Continued)

(ix) The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:

	2001 \$'000	2000 \$'000
Within 1 year	6,222	2,880
After 1 year but within 5 years	3,544	1,665
	<u>9,766</u>	<u>4,545</u>

#### (b) The Company

	Furniture, fixtures and equipment \$'000
Cost:	
At 1 January 2001 and at 31 December 2001	532
Accumulated depreciation:	
At 1 January 2001	525
Charge for the year	3
At 31 December 2001	528
Net book value:	
At 31 December 2001	4
At 31 December 2000	7

### 14. PROPERTIES UNDER DEVELOPMENT

	2001 \$'000	2000 \$'000
<b>Non-current assets</b>		
Property under development held for long term purpose — note (a)	731,163	718,536
Freehold land held for development — note (b)	—	18,490
	<u>731,163</u>	<u>737,026</u>
<b>Current assets</b>		
Properties under development held for sale — note (c)	149,747	145,779
	<u>880,910</u>	<u>882,805</u>

## **Notes on the Financial Statements** (Continued)

*(Expressed in Hong Kong dollars)*

### **14. PROPERTIES UNDER DEVELOPMENT** (Continued)

#### **(a) Property under development held for long term purpose**

The property in Ho Chi Minh City, Socialist Republic of Vietnam is for the development of a building complex including a hotel, serviced apartments and offices for investment purposes ("hotel development"). The cost of hotel development will be transferred to fixed assets upon the completion of the construction which is expected to be in 2003.

The rights of the use of the land are for a period of 48 years commencing from 7 May 1994.

#### **(b) Freehold land held for development**

The freehold land situated in Portugal was disposed of during the year.

#### **(c) Properties under development held for sale**

##### *Macau*

The property, which comprises certain leasehold land at Taipa Island, was acquired by a subsidiary from the Macau Government as the site for the development, in several phases, of a residential and commercial complex. The lease is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

Under the terms of the agreement dated 1 March 1983 and a supplementary agreement dated 20 June 1994 and revised agreement on 6 August 1999 with the Macau Government in respect of the leasehold land, the subsidiary had undertaken to complete the remaining phases of the development by various specified dates and the whole project was due to be completed by 31 December 2001.

Whilst construction work has already commenced on all the remaining phases of the development, directors were of the view that certain of the phases would not be completed by the specified dates and in particular certain lots were unlikely to be completed before the expiry of the 180-day penalty period. Accordingly, an application for extension was made to the Macau SAR Government by the subsidiary and on 5 October 2001, the Macau SAR Government agreed to extend the final completion date up to 31 December 2003 without any penalty. Failure to complete the various phases would give rise to the possibility of fines to be imposed by the Macau SAR Government up to 180 days of delay in a manner more particularly described in note 27(c). Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 14. PROPERTIES UNDER DEVELOPMENT (Continued)

#### (c) Properties under development held for sale (Continued)

The directors consider that the remaining phases of the development project will be completed by 31 December 2003 (see also note 27(c)).

The subsidiary has mortgaged its leasehold land at Taipa Island to a bank to secure banking facilities to the extent of \$85,000,000 (2000: \$85,000,000) granted to the subsidiary. At 31 December 2001, such facilities had been utilised up to \$12,900,000 (2000: \$64,400,000) (see note 21).

### 15. INTEREST IN SUBSIDIARIES

	2001 \$'000	2000 \$'000
Unlisted shares, at cost	49,314	49,314
Less: Dividend paid out of pre-acquisition profits	(4,156)	(4,156)
Provision	(5,468)	(5,468)
	<u>39,690</u>	<u>39,690</u>
Amounts due from subsidiaries		
— Loan account	6,561	12,824
— Current account	690,981	618,319
	<u>737,232</u>	<u>670,833</u>
Amount due to a subsidiary	<u>52,025</u>	<u>62,348</u>

Amounts due from/to subsidiaries are unsecured, interest free and have no fixed terms of repayment.

Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ operation	Issued equity capital	Percentage of equity			Principal activity
			attributable to the Group	held by the Company	held by subsidiaries	
Ocean Incorporation Ltd.	Macau	Two quotas of Ptc9,999,000 and Ptc1,000 respectively totalling Ptc10,000,000	100%	100%	—	Property investment and dealing

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 15. INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ operation	Issued equity capital	Percentage of equity			Principal activity
			attributable to the Group	held by the Company	held by subsidiaries	
Ajoint Inc	United States of America	100 shares of US\$10 each and US\$699,000 additional paid in capital	100%	100%	—	Dormant
Carrigold Limited*	British Virgin Islands	1 share of US\$1	100%	100%	—	Investment holding
Compton Developments Limited*	British Virgin Islands	1 share of US\$1	100%	100%	—	Investment holding
Crichton Assets Limited*	British Virgin Islands	1 share of US\$1	100%	100%	—	Investment holding
Labond Developments Limited*	British Virgin Islands	1 share of US\$1	100%	100%	—	Investment holding
KSB Enterprises Limited*	Canada	1 share of no par value issued at CAD\$1	100%	100%	—	Investment holding
Scofield Limited	Isle of Man/ Portugal	2,000 shares of £1 each	75%	75%	—	In liquidation
Bardney Investment Limited*	Republic of Liberia/Macau	2 shares of no par value issued at HK\$5,000 each	100%	—	100%	Investment holding
Lam Ho Investments Pte Limited	Singapore	5,000,000 shares of S\$1 each	90.10%	—	90.10%	Investment holding
Shun Seng International Limited	Hong Kong	100,000 shares of HK\$1 each	75.01%	—	75.01%	Investment holding
Golden Crown Development Limited	Macau	70,000,000 shares of Ptc1 each	70.61%	—	70.61%	Property development



## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 15. INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ operation	Issued equity capital	Percentage of equity			Principal activity
			attributable to the Group	held by the Company	held by subsidiaries	
Ocean Gardens Management Company Limited *	Macau	Two quotas of Ptc99,000 and Ptc1,000 respectively totalling Ptc100,000	69.90%	—	99%	Building management
Honister Investment Limited	Republic of Liberia/Macau	2 shares of no par value issued at HK\$5,000 each	70.61%	—	100%	Investment holding
Ocean Club Recreational Company Limited	Macau	100,000 shares of Ptc1 each	70.61%	—	100%	Club operation
Ocean Place Joint Venture Company Limited	Socialist Republic of Vietnam	US\$29,100,000	63.07%	—	70%	Hotel and property development
Hubei Qing Chuan Hotel Company Limited *	The People's Republic of China ("PRC")	US\$16,300,000	41.26%	—	55%	Operation of a hotel
Lam Ho Finance Limited	British Virgin Islands	1 share of US\$1	90.10%	—	90.10%	Financial investment

\* The financial statements of the subsidiaries not audited by KPMG reflect total assets and total turnover constituting approximately 19% (2000: 18%) and 28% (2000: 29%) of the respective consolidated totals.

### 16. INTEREST IN ASSOCIATES

	The Group		The Company	
	2001 \$'000	2000 \$'000	2001 \$'000	2000 \$'000
Unlisted shares, at cost	—	—	5	5
Share of net assets	141,187	112,585	—	—
Interest free loans to associates	228,627	257,782	177,003	203,554
	<b>369,814</b>	<b>370,367</b>	<b>177,008</b>	<b>203,559</b>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 16. INTEREST IN ASSOCIATES (Continued)

The following list contains the particulars of associates, all of which are unlisted corporate entities:

Name of company	Form of business structure	Place of incorporation/ operation	Percentage of equity			Principal activity
			Attributable to the Group	held by the Company	held by subsidiaries	
Chateau Ottawa Hotel Inc — note (a)	Incorporated	Canada	50%	—	50%	Operation of a hotel
Worldwide Properties Limited	Incorporated	Macau	50%	—	50%	Dormant
Trans-International Development Limited	Incorporated	Macau	40%	—	40%	Dormant
Shun Cheong International Limited — note (b)	Incorporated	Hong Kong	35.01%	—	35.01%	Property investment
Porchester Assets Limited (“PAL”) — note (c)	Incorporated	British Virgin Islands	49%	49%	—	Investment holding
Crown Pacific Development Limited (“Crown Pacific”) — note (d)	Incorporated	Hong Kong	24%	—	24%	Investment holding
KSF Enterprises Sdn Bhd (“KSF”) — note (e)	Incorporated	Malaysia	25%	25%	—	Investment holding

(a) Chateau Ottawa Hotel Inc owns a hotel in Ottawa licensed with Sheraton Inns Canada operating as the Sheraton Ottawa Hotel.

(b) Shun Cheong International Limited is engaged in properties investment in the PRC.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 16. INTEREST IN ASSOCIATES (Continued)

(c) PAL has a wholly owned subsidiary, Glynhill Investments (Vietnam) Pte Ltd (“Glynhill”), which holds 51% in Chains Caravelle Hotel Joint Venture Company Limited (“CCH”). CCH is a joint venture company established under the laws of the Socialist Republic of Vietnam (“Vietnam”) between Glynhill and a local Vietnamese entity for the purpose of developing, renovating and operating the Caravelle Hotel in Vietnam. In accordance with the joint venture agreement and the subsequent increase in registered share capital on 19 May 1997, the legal capital of CCH is \$143.8 million (US\$18.6 million). Glynhill contributed \$73.3 million (US\$9.5 million), and the remaining balance of \$70.5 million (US\$9.1 million) was contributed by the Vietnamese joint venture partner in the form of the right of using a parcel of land (2,612 sqm) for a term of 40 years. In addition, Glynhill is committed to secure on behalf of CCH or alternatively to provide further finance of up to \$305 million (US\$39.4 million) in the form of interest bearing shareholder’s loan towards the costs of developing and renovating the hotel and general working capital requirements. As at 31 December 2001, PAL has advanced interest bearing loans totalling \$333 million (US\$42.7 million) to CCH. The joint venture has a duration of 40 years from 8 October 1992 and may be extended for a further period subject to the mutual agreement of the joint venture partners and approval from the relevant local authority.

(d) Crown Pacific is engaged in the development for resale and investment purpose of a residential compound in Beijing in the PRC through Beijing Hong Gong Garden Villa House Property Development Co Limited (“BHGG”), a Sino-foreign cooperative joint venture company established in the PRC with a local Beijing party. In accordance with the joint venture agreement, the legal capital of BHGG is approximately \$256 million (US\$33.1 million), which has been fully paid up. Crown Pacific is entitled to share 100% of the financial results and net assets of BHGG save for a distribution of total profit of a fixed sum of \$2.79 million to the local Beijing party.

The joint venture lasts for a period of 30 years from 15 January 1993 to 14 January 2023. All the four phases of the development were completed and most of the units have been sold.

(e) KSF has a wholly owned subsidiary, KSD Enterprises Limited, which operates the International Plaza Hotel and Conference Centre in Toronto, Canada. It also has a 50% interest in KSE Enterprises Limited which operates the Four Points Hotel in Quebec, Canada.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 16. INTEREST IN ASSOCIATES (Continued)

The following supplementary financial information is disclosed relating to a principal associate, Crown Pacific, which is based on its audited consolidated financial statements for the year ended 31 December 2001.

#### Consolidated profit and loss account

	2001 \$'000	2000 \$'000
Turnover	—	67,023
Other revenue and gains	140,140	75,393
Profit from ordinary activities before taxation	76,205	44,202
Profit attributable to shareholders	<u>72,422</u>	<u>56,778</u>
Group's share of profit from ordinary activities before taxation	<u>18,289</u>	<u>10,608</u>

#### Consolidated balance sheet

	2001 \$'000	2000 \$'000
Long term assets	172,214	250,614
Current assets	877,164	833,273
Current liabilities	(436,527)	(543,459)
Long term liabilities	<u>(200,000)</u>	<u>(200,000)</u>
Shareholders' funds	<u>412,851</u>	<u>340,428</u>
Group's share of net assets	<u>99,084</u>	<u>81,703</u>

### 17. NON-TRADING INVESTMENTS

#### The Group and the Company

	2001 \$'000	2000 \$'000
Listed shares outside Hong Kong, at market value	<u>636</u>	<u>567</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 18. PROPERTIES HELD FOR SALE

Properties held for sale comprise:

#### (a) Ocean Park

The property is freehold and situated in Singapore.

#### (b) Heng Fa Chuen

The property is held under a long lease and situated in Hong Kong.

#### (c) Properties in Macau held by subsidiaries

##### (i) Ocean Centre II

The lease is for a period of thirty years, commencing from 9 June 1973 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

##### (ii) Keck Seng Industrial Centre III

The lease is for a period of thirty years, commencing from 4 September 1973 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

At 31 December 2001, the formal transfer of titles of the above properties into the subsidiary's name amounting to \$3,260,000 (2000: \$3,260,000) had not been completed and the properties were still registered in the names of the previous owners (see also note 28).

##### (iii) Ocean Gardens

These are completed units of the property development at Taipa Island in Macau. The lease is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.

Certain of these properties of \$215,504,000 (2000: \$314,908,000) have been mortgaged to secure the Group's banking facilities at 31 December 2001.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 19. TRADE AND OTHER RECEIVABLES

	<b>The Group</b>		<b>The Company</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Amount expected to be recoverable:				
— within 1 year	<b>32,187</b>	14,169	<b>4,680</b>	227
— after 1 year	<b>348</b>	348	<b>—</b>	<b>—</b>
Trade and other receivables	<b><u>32,535</u></b>	<u>14,517</u>	<b><u>4,680</u></b>	<u>227</u>

Included in trade and other receivables are trade receivables (net of specific provisions for bad and doubtful debts) with the following ageing analysis:—

	<b>The Group</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Current	<b>6,548</b>	2,626
1 to 3 months overdue	<b>16,375</b>	5,624
More than 12 months overdue	<b>50</b>	47
	<b><u>22,973</u></b>	<u>8,297</u>

Debts are due within 30 days from the date of billing. Trade receivables with balances that are more than 3 months overdue are requested to settle all outstanding balances before any further credit is granted.

Trade and other receivables included the deposits of \$559,000 which were pledged at 31 December 2001 (2000: \$555,000) in respect of guarantees given by a subsidiary to a bank on behalf of purchasers of flats amounting to \$110,000 (2000: \$354,000) (note 27 (b)).

### 20. CASH AND CASH EQUIVALENTS

	<b>The Group</b>		<b>The Company</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Deposits with banks and other financial institutions	<b>40,876</b>	63,510	<b>3,210</b>	6,205
Cash at bank and in hand	<b>18,224</b>	13,983	<b>155</b>	186
	<b><u>59,100</u></b>	<u>77,493</u>	<b><u>3,365</u></b>	<u>6,391</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 21. BANK OVERDRAFTS AND LOANS

	<b>The Group</b>		<b>The Company</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Repayable within 1 year and included in current liabilities:				
Bank overdrafts	<b>273</b>	17	<b>246</b>	—
Bank loans	<b>87,511</b>	86,098	<b>50,708</b>	—
	<b>87,784</b>	86,115	<b>50,954</b>	—
Bank loans repayable after 1 year and included in non-current liabilities:				
Between 2 and 5 years	<b>172,939</b>	81,420	—	—
After 5 years	—	105,102	—	—
	<b>172,939</b>	186,522	—	—
	<b>260,723</b>	272,637	<b>50,954</b>	—

At 31 December 2001, the bank loans and overdrafts outstanding were secured as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Unsecured bank overdrafts	<b>273</b>	17	<b>246</b>	—
Bank loans				
— secured	<b>50,551</b>	110,367	—	—
— unsecured	<b>209,899</b>	162,253	<b>50,708</b>	—
	<b>260,450</b>	272,620	<b>50,708</b>	—
	<b>260,723</b>	272,637	<b>50,954</b>	—

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 22. LOANS FROM MINORITY SHAREHOLDERS

Loans from minority shareholders include an amount due to an affiliated company of \$119,868,867 (2000: \$93,447,619) and are non-interest bearing except for an amount of \$31,242,463 (2000: \$13,136,792) which is interest bearing and repayable on 30 April 2005.

The interest charge payable to the affiliated company for the year ended 31 December 2001 was \$1,953,357 (2000: \$1,071,400).

### 23. TRADE AND OTHER PAYABLES

	<b>The Group</b>		<b>The Company</b>	
	<b>2001</b>	2000	<b>2001</b>	2000
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Creditors and accruals	<b>62,577</b>	130,025	<b>340</b>	551
Sales deposits and receipts in advance	<b>2,383</b>	1,124	<b>338</b>	283
	<b><u>64,960</u></b>	<u>131,149</u>	<b><u>678</u></b>	<u>834</u>

Included in trade and other payables are trade payables with the following ageing analysis:

	<b>The Group</b>	
	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Due within 1 month or on demand	<b>1,863</b>	2,343
Due after 1 month but within 3 months	<b>1,290</b>	1,120
Due after 3 months but within 6 months	<b>661</b>	1,110
Due after 6 months but within 1 year	<b>106</b>	103
	<b><u>3,920</u></b>	<u>4,676</u>

### 24. SHARE CAPITAL

	<b>2001</b>		<b>2000</b>	
	<b>No of shares</b>	<b>\$'000</b>	<b>No of shares</b>	<b>\$'000</b>
Authorised:				
Ordinary shares of \$1 each	<b><u>500,000,000</u></b>	<b><u>500,000</u></b>	<b><u>500,000,000</u></b>	<b><u>500,000</u></b>
Issued and fully paid:				
At 1 January and 31 December	<b><u>340,200,000</u></b>	<b><u>340,200</u></b>	<b><u>340,200,000</u></b>	<b><u>340,200</u></b>



## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 25. RESERVES

	The Group		The Company	
	2001	2000	2001	2000
	\$'000	\$'000	\$'000	\$'000
Share premium account:				
At 1 January and 31 December	<b>158,105</b>	158,105	<b>158,105</b>	158,105
Legal reserve:				
At 1 January and 31 December	<b>12,758</b>	12,758	—	—
Exchange reserve:				
At 1 January	<b>9,707</b>	14,870	<b>1,317</b>	1,317
Movement during the year	<b>1,721</b>	(5,163)	<b>(139)</b>	—
At 31 December	<b>11,428</b>	9,707	<b>1,178</b>	1,317
Investment property revaluation reserve:				
At 1 January	<b>91</b>	3,696	—	—
Revaluation surplus/(deficit)	<b>7,989</b>	(3,605)	—	—
At 31 December	<b>8,080</b>	91	—	—
Investment revaluation reserve:				
At 1 January	<b>(25)</b>	(8)	<b>(25)</b>	(8)
Revaluation surplus/(deficit)	<b>69</b>	(17)	<b>69</b>	(17)
At 31 December	<b>44</b>	(25)	<b>44</b>	(25)
Retained profits:				
At 1 January				
— as previously reported	<b>723,118</b>	716,170	<b>339,851</b>	342,490
— prior period adjustments in respect of dividend proposed (note 11)	—	1,701	—	1,701
— as restated	<b>723,118</b>	717,871	<b>339,851</b>	344,191
Dividends approved in respect of the previous year (note 11)	—	(1,701)	—	(1,701)
Profit/(loss) for the year	<b>27,293</b>	6,948	<b>(1,721)</b>	(2,639)
Dividends declared in respect of the current year	—	—	—	—
At 31 December	<b>750,411</b>	723,118	<b>338,130</b>	339,851
	<b>940,826</b>	903,754	<b>497,457</b>	499,248

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 25. RESERVES (Continued)

	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Profit/(loss) for the year is retained as follows:		
By the Company and its subsidiaries	<b>(2,685)</b>	(18,207)
By associates	<u><b>29,978</b></u>	<u>25,155</u>
	<u><b>27,293</b></u>	<u>6,948</u>

The application of the share premium is governed by section 48B of the Hong Kong Companies Ordinance.

The legal reserve is non-distributable and represents transfers from annual profits up to a maximum of 20 percent of the issued and paid up capital of the Macau subsidiaries in accordance with the Macau Commercial Code.

Exchange reserve of the Group arises on translation of the financial statements of foreign subsidiaries and associates (see note 1(q)).

The investment property revaluation and investment revaluation reserves have been set up and dealt in accordance with the accounting policies adopted for the revaluation of investment properties (see also note 1(f)) and non trading investments (see note 1(j)).

Distributable profits of the Company at 31 December 2001 amounted to \$338,130,000 (2000: \$339,851,000).

### 26. COMMITMENTS

At 31 December 2001, the Group had commitments in respect of development expenditure not provided for in the financial statements as follows:

	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Contracted for	<b>111,114</b>	150,906
Authorised but not contracted for	<u>—</u>	<u>17,810</u>
	<u><b>111,114</b></u>	<u>168,716</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 26. COMMITMENTS (Continued)

At 31 December 2001, the total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Leases on premises expiring		
— within one year	<b><u>180</u></b>	<b><u>180</u></b>

### 27. CONTINGENT LIABILITIES

- (a) At 31 December 2001, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of the properties under development amounting to \$6,311,000 (2000: \$6,311,000).
- (b) At 31 December 2001, there were guarantees given by a subsidiary to a bank on behalf of purchasers of flats amounting to \$728,000 (2000: \$2,656,000).
- (c) Pursuant to the revised agreement with the Macau SAR Government on 5 October 2001 (note 14(c)), Golden Crown is required to complete the remaining phases of the development project by 31 December 2003. Failure to comply with the development schedule may render the subsidiary liable to a fine of \$4,854 for each day of delay up to a limit of 90 days and thereafter the fine may be increased up to \$9,709 per day. When the delay reaches 180 days, the Macau SAR Government may terminate the agreement totally or partially and the specified areas granted together with the work already done shall revert to the Macau SAR Government and the subsidiary shall have no right of compensation.

The directors are confident that the remaining phases of the development project will be completed by 31 December 2003 (note 14(c)).

- (d) At 31 December 2001, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and associates amounted to \$183,135,000 (2000: \$183,088,000) and \$50,762,000 (2000: \$53,819,000) respectively.
- (e) At 31 December 2001, guarantees given by a subsidiary to a bank to secure banking facilities made available to an associate amounted to \$32,604,000 (CAD\$6,635,000) (2000: \$34,568,000 (CAD\$6,635,000)).

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 28. MACAU PROPERTIES

It is common practice in Macau for transfer of interests in property to be effected by agreements or by the grant of irrevocable powers of attorney, without any change being made in the registered ownership of the property. At 31 December 2001, the Group's interests in certain properties situated in Macau held in this manner were as follows:

	<b>2001</b>	2000
	<b>\$'000</b>	\$'000
Investment properties ( <i>note 13(a)(iii)</i> )	<b>23,000</b>	21,300
Properties held for sale ( <i>note 18(c)</i> )	<b>3,260</b>	3,260
	<b><u>26,260</u></b>	<u>24,560</u>

### 29. MATERIAL RELATED PARTY TRANSACTIONS

During the year, certain subsidiaries of the Company had the following transactions which are on normal commercial terms with Goodland Limited ("Goodland"):

- (a) A current account was maintained between Goodland and Ocean Inc and interest was charged on the outstanding balance at market rates. At 31 December 2001, the balance due by Ocean Inc on this account amounted to \$119,034,304 (2000: \$216,153,850). The interest charge for the year ended 31 December 2001 was \$7,540,717 (2000: \$12,792,941).
- (b) Goodland maintained interest bearing current account with Golden Crown. At 31 December 2001, the balance due by Golden Crown amounted to \$526,656 (2000: \$9,509). The interest charge for the year ended 31 December 2001 payable by Golden Crown was \$11,182 (2000: \$27,466).

Goodland maintained an interest bearing loan account with Qing Chuan. At 31 December 2001, the balance due by Qing Chuan amounted to \$31,242,463 (2000: \$13,136,792) which is repayable on 30 April 2005. The interest charge for the year ended 31 December 2001 payable by Qing Chuan was \$1,953,357 (2000: \$1,071,400).

At 31 December 2001, the balances due to/(from) Goodland by OPJV, Golden Crown, Qing Chuan, Shun Seng International Limited and Lam Ho Investments Pte Limited on non-interest bearing accounts amounted to \$182,618 (2000: \$171,510), \$8,600,000 (2000: \$8,600,000), \$3,137,537 (2000: \$(781,069)), \$Nil (2000: \$(1,913)) and \$(17,356) (2000: \$(1,263)) respectively.

## **Notes on the Financial Statements** (Continued)

*(Expressed in Hong Kong dollars)*

### **29. MATERIAL RELATED PARTY TRANSACTIONS** (Continued)

- (c) Loans from minority shareholders include an amount due to Goodland of \$119,868,867 (2000: \$93,447,619) and are non-interest bearing except for an amount of \$31,242,463 (2000: \$13,136,792) which is interest bearing and details are set out in note 29(b).
- (d) Golden Crown rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to \$1,011,204 for the year ended 31 December 2001 (2000: \$1,011,204).
- (e) Ocean Inc and Golden Crown paid management fees of \$1,456,311 (2000: \$1,456,311) and \$1,747,573 (2000: \$1,747,573) respectively for the year to Goodland.
- (f) Golden Crown rented certain properties from Goodland and rental amounting to \$174,757 (2000: \$198,058) was paid during the year.

Kansas Holdings Limited provides management services to the Company. No management fee was charged during the years 2000 and 2001.

Keck Seng Realty Investment Pte Limited acts as manager and sales agent for the Company's property in Singapore. No management or agency fee was charged during the years 2000 and 2001.

Messrs Ho Kian Guan, and Ho Kian Hock and Ho Kian Cheong were interested in the above arrangements as substantial shareholders and directors of Kansas Holdings Limited, Keck Seng Realty Investment Pte Limited and Goodland.

### **30. COMPARATIVE FIGURES**

Certain comparative figures have been adjusted as a result of changes in accounting policy for dividends, details of which are set out in note 11.