

Notes to Financial Statements

Year ended 31 December 2001

1. CORPORATE INFORMATION

The registered office of Shenzhen Investment Limited is located at 8th Floor, New East Ocean Centre, 9 Science Museum Road, Kowloon, Hong Kong.

The company is a listed limited company incorporated in Hong Kong. Its ultimate holding company is Shum Yip Holdings Company Limited ("Shum Yip Holdings"), a private company incorporated in Hong Kong.

The principal activities of the Group are property development and investment, the provision of transportation services, investment in infrastructure businesses and cable television network transmission and technological services.

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

The following recently-issued and revised SSAPs and related Interpretations are effective for the first time for the current year's financial statements:

- SSAP 9 (Revised): "Events after the balance sheet date"
- SSAP 14 (Revised): "Leases"
- SSAP 18 (Revised): "Revenue"
- SSAP 26: "Segment reporting"
- SSAP 28: "Provisions, contingent liabilities and contingent assets"
- SSAP 29: "Intangible assets"
- SSAP 30: "Business combinations"
- SSAP 31: "Impairment of assets"
- SSAP 32: "Consolidated financial statements and accounting for investments in subsidiaries"
- Interpretation 12: "Business combinations – subsequent adjustment of fair values and goodwill initially reported"
- Interpretation 13: "Goodwill – continuing requirements for goodwill and negative goodwill previously eliminated against/credited to reserves"

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

These SSAPs prescribe new accounting measurement and disclosure practices. The major effects on the Group’s accounting policies and on the amounts disclosed in these financial statements of those SSAPs and Interpretations which have had a significant effect on the financial statements are summarised as follows:

SSAP 9 (Revised) prescribes which type of events occurring after the balance sheet date require adjustment to the financial statements, and which require disclosure, but no adjustment. Its principal impact on these financial statements is that the proposed final dividend which is not declared and approved until after the balance sheet date, is no longer recognised as a liability at the balance sheet date, but is disclosed as an allocation of retained earnings on a separate line within the capital and reserves section of the balance sheet. The prior year adjustment arising from the adoption of this revised SSAP is detailed in note 12 to the financial statements.

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in notes 34 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9 described above. Proposed final dividends from subsidiaries that are declared and approved by the subsidiaries after the balance sheet date are no longer recognised in the Company’s own financial statements for the year. The adoption of the SSAP has had no significant impact on the preparation of these financial statements.

SSAP 26 prescribes the principles to be applied for reporting financial information by segment. It requires that management assesses whether the Group’s predominant risks or returns are based on business segments or geographical segments and determines one of these bases to be the primary segment information reporting format, with the other as the secondary segment information reporting format. The impact of this SSAP is the inclusion of significant additional segment reporting disclosures, which are set out in note 4 to the financial statements.

SSAP 29 prescribes the recognition and measurement criteria for intangible assets, together with the disclosure requirements. The adoption of this SSAP has resulted in no change to the previously adopted accounting treatment for intangible assets and the additional disclosures that it requires have not been significant for these financial statements. The SSAP does, however, require that impairment losses on intangible assets are aggregated with the accumulated amortisation, whereas previously they would have been deducted from the cost of the relevant asset.

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

SSAP 30 prescribes the accounting treatment for business combinations, including the determination of the date of acquisition, the method for determining the fair values of the assets and liabilities acquired, and the treatment of goodwill or negative goodwill arising on acquisition. The SSAP requires the disclosure of goodwill and negative goodwill in the non-current assets section of the consolidated balance sheet. It requires that goodwill is amortised to the consolidated profit and loss account over its estimated useful life. Negative goodwill is recognised in the consolidated profit and loss account depending on the circumstances from which it arose, as further described in the accounting policy for negative goodwill disclosed in note 3 to the financial statements. Interpretation 13 prescribes the application of SSAP 30 to goodwill arising from acquisitions in previous years which remains eliminated against consolidated reserves. The adoption of the SSAP and Interpretation has not resulted in a prior year adjustment, for the reasons detailed in note 16 to the financial statements. The required new additional disclosures are included in notes 16, 19, 20 and 32 to the financial statements.

SSAP 31 prescribes the recognition and measurement criteria for impairments of assets. The SSAP is required to be applied prospectively and therefore, has had no effect on amounts previously reported in prior year financial statements.

SSAP 32 prescribes the accounting treatment and disclosures for the preparation and presentation of consolidated financial statements, and has had no significant impact on the preparation of these financial statements.

In addition to the above new and revised SSAPs and related Interpretations, certain minor revisions to the following SSAPs are effective for the first time for the current year’s financial statements:

- SSAP 10: “Accounting for investments in associates”
- SSAP 17: “Property, plant and equipment”

The only significant effect of these revisions is that SSAP 17 requires that impairment losses on fixed assets are aggregated with accumulated depreciation, whereas previously they would have been deducted from the cost of the relevant asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2001. The results of subsidiaries acquired or disposed of during the year are consolidated from or to their effective dates of acquisition or disposal, respectively. All significant intercompany transactions and balances within the Group are eliminated on consolidation.

Subsidiaries

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

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

Associates

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life for a period of not exceeding 20 years. In the case of associates, any unamortised goodwill is included in the carrying amount thereof, rather than as a separately identified asset on the consolidated balance sheet.

In prior years, goodwill arising on acquisitions was eliminated against consolidated reserves in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits goodwill on acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves. Goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Negative goodwill

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

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

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

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

In prior years, negative goodwill arising on acquisitions was credited to the capital reserve in the year of acquisition. The Group has adopted the transitional provision of SSAP 30 that permits negative goodwill on acquisitions which occurred prior to 1 January 2001, to remain credited to the capital reserve. Negative goodwill on subsequent acquisitions is treated according to the new accounting policy above.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of assets

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

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

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

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

Fixed assets and depreciation

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

Changes in the values of fixed assets, other than investment properties, are dealt with as movements in the asset revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on an individual asset basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged. On disposal of a revalued asset, the relevant portion of the asset revaluation reserve realised in respect of previous valuations is transferred to retained earnings as a movement in reserves.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Fixed assets and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over its estimated useful life. The principal annual rates used for this purpose are as follows:

Land and buildings	Over the shorter of the term of the lease or 20 years
Plant and machinery	10% to 25%
Furniture, fixtures and equipment	10% to 25%
Motor vehicles	9% to 20%

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

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

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at their open market values on the basis of annual professional valuations performed at the end of each financial year. Changes in the values of investment properties are dealt with as movements in the investment property revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. Any subsequent revaluation surplus is credited to the profit and loss account to the extent of the deficit previously charged.

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

Properties under development

Properties under development, for which pre-sales have not yet commenced, are stated at cost less any impairment losses. Cost includes all costs attributable to such developments, including financial charges.

Properties under development which have been pre-sold are stated at cost plus attributable profits less sales deposits/instalments received and any foreseeable losses. Properties under development which have been pre-sold are classified under current assets.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Properties under development *(continued)*

When properties under development have been pre-sold, the total estimated profit is apportioned over the entire period of construction to reflect the progress of the development. On this basis, profit recognised on properties pre-sold during the period is calculated by reference to the proportion of construction costs incurred up to the balance sheet date to the estimated total construction costs to completion, limited to the amount of sales deposits/instalments received under legally binding contracts at the balance sheet date, with due allowances for contingencies.

Completed properties for sale

Completed properties for sale are stated at the lower of cost and net realisable value. Cost is determined by an apportionment of the total land and development cost attributable to the unsold properties. Net realisable value is estimated by the directors based on prevailing market prices, on an individual property basis.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal. The Group's inventory mainly comprises of construction materials and spare parts.

Operating leases

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

Intangible assets

Vehicle licences acquired by the Group are stated at cost less any impairment losses and are amortised on the straight-line basis over the term of the respective licences.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Long term investments

Long term investments are non-trading investments in listed and unlisted equity securities intended to be held on a long term basis.

Held-to-maturity debt securities are redeemable at fixed dates, intended to be held to maturity and are stated at amortised cost less provisions for impairment, on an individual investment basis. Amortised cost is cost plus or minus the cumulative amortisation of the difference between the purchase price and the maturity amount. Provisions for impairment are made when carrying amounts are not expected to be recovered and are charged to the profit and loss account for the period in which they arise.

Listed securities are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. Unlisted securities are stated at their estimated fair values on an individual basis.

The gains or losses arising from changes in the fair values of a security are dealt with as movements in the investment revaluation reserve, until the security is sold, collected, or otherwise disposed of, or until the security is determined to be impaired, when the cumulative gain or loss derived from the security recognised in the investment revaluation reserve, together with the amount of any further impairment, is charged to the profit and loss account for the period in which the impairment arises. Where the circumstances and events which led to an impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future, the amount of the impairment previously charged and any appreciation in fair value is credited to the profit and loss account to the extent of the amount previously charged.

Short term investments

Short term investments are investments in equity securities held for trading purposes and are stated at their fair values on the basis of their quoted market prices at the balance sheet date on an individual investment basis. The gains or losses arising from changes in the fair value of a security are credited or charged to the profit and loss account for the period in which they arise.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Infrastructure project investments

Investments in infrastructure projects which do not fall into the definition of subsidiaries, associates or jointly-controlled entities are classified as infrastructure project investments if the Group's return to be derived therefrom is predetermined in accordance with the provisions of the relevant agreements, and if the Group is not entitled to share in the project assets at the end of the investment period.

The Group's interests in infrastructure project investments are recorded at cost less any impairment losses and are amortised over the respective contract period on a straight line basis from the commencement of the projects' operations or the Group's entitlement to income. Where the estimated recoverable amounts of these investments fall below their carrying amounts, the carrying amounts are written down to the recoverable amounts. Income from these investments is recognised when the Group's right to receive payment is established.

Deferred tax

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

Foreign currencies

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

On consolidation, the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, ie, 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Convertible guaranteed bonds

Convertible bonds are regarded as liabilities until conversion actually occurs. The finance costs, including the premium payable upon the final redemption of the convertible bonds, recognised in the profit and loss account in respect of the convertible bonds is calculated so as to produce a constant periodic rate of charge on the remaining balances of the convertible bonds for each accounting period.

The costs incurred in connection with the issue of convertible bonds are deferred and amortised on a straight-line basis over the lives of convertible bonds from the date of the issue of the bonds to their final redemption date. If any convertible bonds are purchased and cancelled, redeemed or converted prior to the final redemption date, an appropriate portion of any remaining unamortised costs will be charged immediately to the profit and loss account.

Revenue recognition

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

- (a) from the sale of properties, when the legally binding unconditional sales contracts are signed and exchanged;
- (b) from the pre-sale of properties under development, when the construction work has progressed to a stage where the ultimate realisation of profit can be reasonably determined and on the basis set out under the accounting policy headed “Properties under development”;
- (c) rental income, in the period in which the properties are let out on the straight-line basis over the lease terms;
- (d) income from transportation services, when transportation services are rendered;
- (e) services income, when services are rendered;
- (f) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and
- (g) dividend income, when the shareholder’s right to receive payment is established.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained earnings within capital and reserves in the balance sheet, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

In previous years, the Company recognised its proposed final dividend to shareholders, which was declared and approved after the balance sheet date, as a liability in its balance sheet. The Company also recognised the proposed final dividends of subsidiaries, which were declared and approved after the balance sheet date, as income in its profit and loss account for the year. The revised accounting treatments for dividends resulting from the adoption of SSAP 9 (Revised) and SSAP 18 (Revised), have given rise to prior year adjustments in both the Group's financial statements, further details of which are included in note 12 to the financial statements.

Related parties

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

Cash equivalents

For the purpose of the consolidated cash flow statement, cash equivalents represent short term highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired, less advances from banks repayable within three months from the date of the advance. For the purpose of balance sheet classification, cash equivalents represent assets similar in nature to cash, which are not restricted as to use.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the “MPF Scheme”) under the Mandatory Provident Fund Schemes Ordinance, for those employees who are eligible to participate in the Scheme. The MPF Scheme has operated since 1 December 2000. Contributions are made based on a percentage of the employees’ basic salaries and are charged to the profit and loss account as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group’s employer contributions vest fully with the employees when contributed into the MPF Scheme except for the Group’s employer voluntary contributions, which are refunded to the Group when the employee leaves employment prior to the contributions vesting fully, in accordance with the rules of the MPF Scheme.

Each of the subsidiaries operating in the PRC participates in the central pension scheme (the “CPS”) operated by the PRC government for all of its staff. These PRC subsidiaries are required to contribute a certain percentage of their covered payroll to the CPS to fund the benefits. The only obligation of the Group with respect to the CPS is to pay the ongoing required contributions under the CPS. Contributions under the CPS are charged to the profit and loss account as they become payable in accordance with the rules of the CPS.

4. SEGMENT INFORMATION

SSAP 26 was adopted during the year, as detailed in note 2 to the financial statements. Segment information is presented by way of two segment formats: (i) on a primary segment reporting basis, by business segment; and (ii) on a secondary segment reporting basis, by geographical segment.

The Group's operating businesses are structured and managed separately, according to the nature of their operations and the products and services they provide. Each of the Group's business segments represents a strategic business unit that offers products and services which are subject to risks and returns that are different from those of other business segments. Summary details of the business segments are as follows:

- (a) the property development segment engages in development of residential, industrial and commercial properties;
- (b) the property investment segment invests in residential, industrial and commercial properties for its rental income potential;
- (c) the transportation services segment consists of passenger and freight transportation services, automobile maintenance and other related services;
- (d) the infrastructure investment segment invests in power infrastructure projects;
- (e) the information technology segment engages in the cable television network transmission and technological services;
- (f) the others segment consists of property management services and other businesses.

Substantially, all of the Group's operating businesses are with customers based in the PRC. Accordingly, no segment analysis by geographical area of operations is provided.

4. SEGMENT INFORMATION (continued)

Business segments

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

Group

	Property development		Property investment		Transportation services		Infrastructure investment		Information technology		Others		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	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Segment revenue:														
Sales to external customers	960,917	736,178	133,700	128,398	199,288	261,352	-	-	-	-	63,930	65,842	1,357,835	1,191,770
Segment results	144,211	94,090	104,892	97,471	36,635	34,610	-	-	-	-	(8,315)	(632)	277,423	225,539
Investment income													75,797	82,615
Unallocated expenses													(39,073)	(48,526)
Finance costs													(136,633)	(115,048)
Gain on deemed disposal of an associate	92,763												92,763	-
Gain arising from the repurchase and cancellation of convertible bonds													1,516	12,499
Share of profit and losses of associates	160,094	133,205	-	-	2,535	1,000	216,391	245,909	20,546	19,074	(3,413)	(1,860)	396,153	397,328
Profit before tax													667,946	554,407
Tax													(105,075)	(82,482)
Profit before minority interests													562,871	471,925
Minority interests													(209,591)	(183,185)
Net profit from ordinary activities attributable to shareholders													353,280	288,740

4. SEGMENT INFORMATION (continued)

Business segments (continued)

	Property development		Property investment		Transportation services		Infrastructure investment		Information technology		Others		Total	
	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Segment assets	1,711,176	1,459,504	666,351	638,855	427,731	626,322	94,156	98,528	–	–	1,484,938	1,578,365	4,384,352	4,401,574
Interests in associates	682,313	510,184	7,858	7,771	60,954	7,354	888,682	760,491	116,363	97,785	272,479	281,262	2,028,649	1,664,847
Total assets	2,393,489	1,969,688	674,209	646,626	488,685	633,676	982,838	859,019	116,363	97,785	1,757,417	1,859,627	6,413,001	6,066,421
Segment liabilities														
Total liabilities	(942,651)	(1,086,190)	(146,481)	(331,666)	(331,215)	(481,927)	(392,086)	(335,529)	–	–	(1,849,919)	(1,482,182)	(3,662,352)	(3,717,494)
Other segment information:														
Depreciation	(11,336)	(4,988)	(7,771)	(8,803)	(52,516)	(46,065)	–	–	–	–	(1,591)	(1,331)	(73,214)	(61,187)
Amortisation	–	–	–	–	(2,481)	(2,387)	(4,372)	(4,372)	–	–	–	–	(6,853)	(6,759)
Capital expenditure	241,071	96,532	7,618	46,093	64,938	30,406	–	–	–	–	9,614	4,190	323,241	177,221

5. TURNOVER, REVENUE AND GAINS

Turnover represents proceeds from the sale of properties and pre-sale of properties under development, rental income, income from the provision of transportation services and others.

An analysis of turnover, other revenue and gains is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Turnover		
Sale of properties and pre-sale of properties under development	960,917	736,178
Gross rental income	133,700	128,398
Income from transportation services	199,288	261,352
Others	63,930	65,842
	<u>1,357,835</u>	<u>1,191,770</u>
Other revenue		
Rental income	11,451	11,273
Interest earned on bank deposits	57,440	43,570
Dividends received and receivable from investments:		
Listed investments	–	1,608
Unlisted investments	9,889	13,298
Unrealised holding gains on listed securities	1,166	401
Other interest income	7,302	23,738
Others	31,953	21,450
	<u>119,201</u>	<u>115,338</u>
Gains		
Gain on disposal of fixed assets	980	–
Gain on disposal of a long term investment	–	4,977
Gain on disposal of short term investments	7,185	–
	<u>8,165</u>	<u>4,977</u>
	<u>127,366</u>	<u>120,315</u>

6. PROFIT FROM OPERATING ACTIVITIES

The Group's profit from operating activities is arrived at after charging/(crediting):

	Group	
	2001 HK\$'000	2000 HK\$'000
Auditors' remuneration	3,718	2,689
Depreciation of fixed assets	73,214	61,187
Issue cost of convertible bonds written off upon repurchase	1,306	1,671
Provision for impairment in values of properties under development	6,174	9,736
Minimum lease payments under operating leases in respect of land and buildings	671	2,766
Amortisation of vehicle licences*	2,481	2,387
Amortisation of infrastructure project investments**	4,372	4,372
Staff costs (excluding directors' remuneration – note 8)		
Wages and salaries	87,540	87,818
Pension contributions	9,783	9,035
Less: Forfeited contributions	–	–
Net: Pension contributions***	9,783	9,035
	97,323	96,853
and after crediting:		
(Gain)/loss on disposal of fixed assets	(980)	1,067
Exchange (gains)/losses, net	(2,011)	1,224
Reversal of Land Value Appreciation Fee	45,500	–
Net rental income:		
Investment properties	99,225	97,462
Land and buildings	8,588	8,455
	107,813	105,917
Bad debts recovery	6,183	6,769

* The amortisation of vehicle licences for the year is included in "Cost of sales" on the face of the consolidated profit and loss account.

** The amortisation of infrastructure project investments for the year is included in "Other operating expenses" on the face of the consolidated profit and loss account.

*** At 31 December 2001, the Group had no forfeited contributions available to reduce its contributions to the pension scheme in future years (2000: Nil).

7. FINANCE COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest on:		
Bank loans wholly repayable within 5 years	76,500	28,381
Bank loans wholly repayable over 5 years	–	20,717
Other loans wholly repayable within 5 years	1,954	3,190
Convertible bonds	9,280	11,921
Accretion of convertible bond premium on redemption	54,880	68,760
Amortisation of convertible bond issue expenses	4,280	5,381
	<hr/>	<hr/>
Total interest	146,894	138,350
Less: Amounts capitalised under property development projects	(10,261)	(23,302)
	<hr/>	<hr/>
	136,633	115,048
	<hr/>	<hr/>

8. DIRECTORS' REMUNERATION

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees:		
Executive directors	–	55
Independent non-executive directors	100	90
	<u>100</u>	<u>145</u>
Other emoluments (executive directors):		
Salaries, allowances and benefits in kind	2,559	2,947
Pension scheme contributions	164	261
	<u>2,723</u>	<u>3,208</u>
	<u>2,823</u>	<u>3,353</u>

Fees include HK\$100,000 (2000: HK\$90,000) payable to the independent non-executive directors. There were no other emoluments payable to the independent non-executive directors during the year (2000: Nil).

The remuneration of the directors for the year fell within the following band:

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	<u>5</u>	<u>5</u>

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

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included five (2000: five) directors, details of whose remuneration are set out in note 8 above.

10. TAX

	2001 HK\$'000	2000 HK\$'000
Group:		
Hong Kong, PRC	652	11,456
Elsewhere, PRC	53,881	11,683
Over provision in prior year	–	(4,333)
Deferred PRC Enterprise Income Tax (note 30)	3,417	17,877
	<u>57,950</u>	<u>36,683</u>
Share of tax attributable to:		
Associates	<u>47,125</u>	<u>45,799</u>
Tax charge for the year	<u>105,075</u>	<u>82,482</u>

Hong Kong profits tax is provided at the rate of 16% (2000: 16%) on the estimated assessable profit arising in Hong Kong during the year. Taxes on profits assessable in the People's Republic of China (the "PRC") are calculated at the rates of tax prevailing in the locations in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders dealt with in the financial statements of the Company is HK\$156,583,000 (2000: HK\$124,061,000).

12. DIVIDENDS

	2001 HK\$'000	2000 HK\$'000
Interim – HK3.00 cents (2000: HK3.00 cents) per ordinary share	32,559	32,385
Adjustment to prior year's final dividend	290	–
Proposed final – HK5.00 cents (2000: HK5.00 cents) per ordinary share	57,315	53,975
	90,164	86,360

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year, the Group adopted the revised SSAP 9 "Events after the balance sheet date", as detailed in note 2 to the financial statements. To comply with this revised SSAP, a prior year adjustment has been made to reclassify the proposed final dividend for the year ended 31 December 2000 of HK\$53,975,000, which was recognised as a current liability at the prior year end, to the proposed final dividend reserve account within the capital and reserves section of the balance sheet. The result of this has been to reduce both the Group's and the Company's current liabilities and increase the reserves previously reported as at 31 December 2000, by HK\$53,975,000.

The effect of this change in accounting policy as at 31 December 2001, is that the current year's proposed final dividend of HK\$57,315,000 has been included in the proposed final dividend reserve account within the capital and reserves section of the balance sheet at that date, whereas in previous years it would have been recognised as a current liability at the balance sheet date.

13. EARNINGS PER SHARE

The calculation of basic earnings per share was based on the net profit attributable to shareholders for the year of HK\$353,280,000 (2000: HK\$288,740,000) and on the weighted average number of 1,085,309,863 (2000: 1,077,897,000) shares in issue during the year.

The calculation of diluted earnings per share for the year ended 31 December 2001 was based on the net profit attributable to shareholders for the year of HK\$353,280,000 (2000: HK\$288,740,000). The weighted average number of ordinary shares used in the calculation is the 1,085,309,863 (2000: 1,077,897,000) ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average of 18,955,714 (2000: 2,197,769) ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options granted during the year. The convertible bonds have not been included in the calculation of diluted earnings per share for the year ended 31 December 2000 and 2001 since their effects are anti-dilutive.

14. FIXED ASSETS

Group

	Land and buildings in Hong Kong held under medium term leases HK\$'000	Land and buildings in the PRC held under medium term leases HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures, and equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
Cost or valuation:							
At beginning of year	2,346	275,313	47,305	39,444	301,292	13,738	679,438
Additions	–	3,117	1,282	7,328	41,231	36,922	89,880
Transfer from properties under development	–	31,102	–	–	–	–	31,102
Disposals	–	(37,896)	(3,834)	(4,155)	(94,745)	–	(140,630)
Transfer to investment properties	–	(32,503)	–	–	–	–	(32,503)
Reclassifications	–	38,679	–	–	–	(38,679)	–
Exchange realignment	19	916	206	162	1,290	60	2,653
At 31 December 2001	2,365	278,728	44,959	42,779	249,068	12,041	629,940
An analysis of cost or valuation:							
At cost	–	114,426	44,959	42,779	249,068	12,041	463,273
At 1997 valuation	2,365	164,302	–	–	–	–	166,667
	2,365	278,728	44,959	42,779	249,068	12,041	629,940
Accumulated depreciation:							
At beginning of year	81	29,816	12,198	23,274	151,635	–	217,004
Provided during the year	–	20,674	2,220	6,396	43,924	–	73,214
Disposals	–	(14,626)	(2,820)	(3,028)	(57,243)	–	(77,717)
Exchange realignment	1	136	53	89	650	–	929
At 31 December 2001	82	36,000	11,651	26,731	138,966	–	213,430
Net book value:							
At 31 December 2001	2,283	242,728	33,308	16,048	110,102	12,041	416,510
At 31 December 2000	2,265	245,497	35,107	16,170	149,657	13,738	462,434

14. FIXED ASSETS *(continued)*

Certain of the Group's land and buildings were revalued at 31 December 1997 by Francis Lau & Co., (Surveyors) Ltd., an independent firm of professional property valuers. The land and buildings were revalued at their open market values based on their existing use. In the opinion of the directors, there has been no material change in the values of these land and buildings as at 31 December 2001.

Had these land and buildings been carried at historical cost less accumulated depreciation, their carrying amounts would have been approximately HK\$157 million (2000: HK\$168 million).

Company

	Furniture and fixtures HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:			
At beginning of year	1,978	3,402	5,380
Additions	116	385	501
Disposals	(70)	(1,079)	(1,149)
	<u>2,024</u>	<u>2,708</u>	<u>4,732</u>
At 31 December 2001			
Accumulated depreciation:			
At beginning of year	1,042	1,068	2,110
Provided during the year	401	601	1,002
Disposals	(52)	(826)	(878)
	<u>1,391</u>	<u>843</u>	<u>2,234</u>
At 31 December 2001			
Net book value:			
At 31 December 2001	<u>633</u>	<u>1,865</u>	<u>2,498</u>
At 31 December 2000	<u>936</u>	<u>2,334</u>	<u>3,270</u>

15. INTANGIBLE ASSETS

	Group HK\$'000
Vehicle licences	
Cost:	
At beginning of year	33,921
Exchange realignment	148
	<hr/>
At 31 December 2001	34,069
	<hr/>
Accumulated amortisation:	
At beginning of year	8,750
Provided during the year	2,481
Exchange realignment	38
	<hr/>
At 31 December 2001	11,269
	<hr/>
Net book value:	
At 31 December 2001	22,800
	<hr/>
At 31 December 2000	25,171
	<hr/>

16. GOODWILL AND NEGATIVE GOODWILL

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

The amounts of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries and associates, were HK\$45,525,000 and HK\$61,259,000, respectively, as at 1 January and 31 December 2001.

17. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001 HK\$'000	2000 HK\$'000
Land in the PRC held under medium term leases, at cost:		
At beginning of year	74,427	44,232
Exchange realignment	324	156
Additions	82,901	39,775
Transfer to properties under development for sale	(8,951)	–
Provision for impairment in values arising during the year	(6,174)	(9,736)
	<hr/>	<hr/>
At 31 December	142,527	74,427
	<hr/>	<hr/>
Development expenditure, at cost:		
At beginning of year	97,561	70,773
Exchange realignment	424	248
Additions	110,097	26,540
Transfer to properties under development for sale	(106,575)	–
Transfer to fixed assets	(31,102)	–
Transfer to investment properties	(11,935)	–
	<hr/>	<hr/>
At 31 December	58,470	97,561
	<hr/>	<hr/>
	200,997	171,988
	<hr/>	<hr/>

As at 31 December 2001, no interest was capitalised in properties under development (2000: Nil).

18. INVESTMENT PROPERTIES

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	712,884	666,839
Exchange realignment	2,977	2,130
Additions, at cost	354,011	37,976
Revaluation surplus arising during the year	67,492	9,047
Disposals	(50,464)	(3,108)
At 31 December	<u>1,086,900</u>	<u>712,884</u>

At the balance sheet date, all the investment properties were revalued on the basis of their open market values by Francis Lau & Co., (Surveyors) Ltd., an independent firm of professional property valuers. The net surplus arising on revaluation has been credited to the investment property revaluation reserve.

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

The investment properties comprise land and buildings in the PRC which are held under medium term leases.

19. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	1,416,206	1,081,406
Due from subsidiaries*	236,060	278,032
Provisions for diminutions in values	—	(7,032)
	<u>1,652,266</u>	<u>1,352,406</u>

* The amounts due from subsidiaries are unsecured, interest-bearing at Hong Kong prime rate per annum and are not repayable within one year.

19. INTERESTS IN SUBSIDIARIES *(continued)*

The loan from a subsidiary is unsecured, interest-bearing at Hong Kong prime rate per annum and is not repayable within one year.

The amounts due from/to subsidiaries classified under current assets/liabilities are unsecured, interest-free and have no fixed terms of repayment.

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

The amount of goodwill remaining in consolidated reserves, arising from the acquisition of subsidiaries was HK\$45,525,000 as at 1 January and 31 December 2001.

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

19. INTERESTS IN SUBSIDIARIES *(continued)*

Particulars of the principal subsidiaries are as follows:

Name of subsidiaries	Place of incorporation/ registration and operations	Nominal value of issued/ paid up capital	Percentage of equity attributable to the Company	Principal activities
Ha Er Bin Shum Yip Estate Development Limited	PRC	US\$5,000,000	100	Property development
Qingdao Shum Yip Properties Development Co., Ltd.	PRC	US\$2,500,000	100	Property development
Shum Yip Holdings (Shenzhen) Co., Ltd.	PRC	HK\$430,320,000	100	Property development
Shum Yip Centre Development (Shenzhen) Co., Ltd.	PRC	HK\$40,000,000	100	Property development
Shenzhen Shumyixihu Transportation Company Ltd. (Note 1)	PRC	HK\$3,000,000	100	Transportation
Guangdong Shum Yip Transportation Co., Ltd. (Notes 1 & 2)	PRC	HK\$5,000,000	97.82	Transportation
Shenzhen Yong Sheng Industrial & Trade Co., Ltd. (Notes 1 & 2)	PRC	RMB9,180,000	97.82	Operation of fuel stations and motor vehicle repairs
New Great Properties Limited	Hong Kong	HK\$2	100	Investment holding

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiaries	Place of incorporation/ registration and operations	Nominal value of issued/ paid up capital	Percentage of equity attributable to the Company	Principal activities
Shenzhen Shengkong Industrial (Group) Co., Ltd.	PRC	RMB95,500,000	80	Investment holding
Shenzhen Shengkong Automobile Maintenance Service Co., Ltd. (Note 1)	PRC	RMB14,830,000	79	Vehicle repairs
Shenzhen Shengkong Taxi Co., Ltd. (Note 1)	PRC	RMB13,780,000	80	Vehicle rentals
Shenzhen Guangfa Combined Transportation Co., Ltd. (Note 1)	PRC	RMB10,000,000	80	Transportation
Shenzhen Ganglong Transportation Industrial Co., Ltd. (Note 1)	PRC	RMB10,000,000	80	Transportation
Shenzhen Shengkong Properties Management Co., Ltd. (Note 1)	PRC	RMB3,000,000	80	Property management
Shenzhen Terra Industrial Co., Ltd.	PRC	RMB100,000,000	51	Property development
Shenzhen Tairan Aluminium Alloy Works Company (Note 1)	PRC	RMB6,200,000	51	Aluminium engineering

19. INTERESTS IN SUBSIDIARIES *(continued)*

Name of subsidiaries	Place of incorporation/ registration and operations	Nominal value of issued/ paid up capital	Percentage of equity attributable to the Company	Principal activities
Shenzhen Tairan Property Management Service Company (Note 1)	PRC	RMB4,390,000	51	Property management
Shenzhen Shengkong Winglee Cross Border Bus Co., Ltd. (Notes 1 & 3)	PRC	RMB20,000,000	40	Provision of cross-border bus services and vehicle repairs
Shenzhen Shum Yip Logistics Group Holdings Co., Ltd.	PRC	RMB160,764,662	51	Operation of warehouses and property development
Shum Yip Capital Limited	British Virgin Islands ("BVI")	US\$1	100	Investment holding
Coland Limited	BVI	US\$1	100	Investment holding
Eastart International Investments Limited	BVI	US\$2	100	Investment holding
Newton Industrial Limited	BVI	US\$34	55.88	Investment holding
City Capital Limited	BVI	US\$1	100	Investment holding

None of the subsidiaries had any loan capital outstanding as at 31 December 2001, except Shum Yip Capital Limited. Further details of this are set out in note 28 to the financial statements.

Notes:

1. Indirectly held by the Company.
2. The Group is entitled to all of the profits and losses remaining after paying the annual guaranteed return to the joint venture partners.
3. The Company has control of the board of directors of this entity and therefore this entity is regarded as a subsidiary of the Company.

20. INTERESTS IN ASSOCIATES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Unlisted shares, at cost	–	–	301,133	301,133
Share of net assets	2,033,804	1,711,614	–	–
Loans advanced from associates	(59,022)	(53,516)	(138,081)	(132,154)
Loans advanced to associates	53,867	6,749	–	4,239
	<u>2,028,649</u>	<u>1,664,847</u>	<u>163,052</u>	<u>173,218</u>

The loans bear interest at Hong Kong prime rates and are not repayable within one year.

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

The amount of goodwill remaining in consolidated reserves, arising from the acquisition of associates, was HK\$61,259,000 as at 1 January and 31 December 2001.

Set out below is a list of the principal associates of the Group, which in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other associates would, in the opinion of the directors, result in particulars of excessive length.

20. INTERESTS IN ASSOCIATES *(continued)*

Particulars of the principal associates are as follows:

Name of associates	Business structure	Place of incorporation/ registration and operations	Nominal value of issued/ paid up capital	Percentage of equity interest attributable to the Group	Principal activities
Shenzhen Longsheng Industrial Co., Ltd.	Corporate	PRC	RMB50,000,000	45	Operation of a godown and property investment
Shenzhen Hua Min Development Co., Ltd.	Corporate	PRC	RMB23,689,890	50	Property investment and management
Hui Yang Hui Shen Transportation Industrial Development Company	Corporate	PRC	RMB1,000,000	40	Transportation
Karbony Investment Limited*	Corporate	Hong Kong	HK\$10,000,000	20	Property investment and trading
Karbony Real Estate Development (Shenzhen) Co., Ltd.*	Corporate	PRC	US\$12,000,000	20	Property development
Goldfield Industries Inc.+	Corporate	PRC	RMB180,000,000	18.67	Property trading, investment and development
Shenzhen Tianan Industrial Development Co., Ltd.	Corporate	PRC	US\$18,000,000	25.5	Property trading, investment and development
Shenzhen Mawan Power Company Limited ("Mawan")	Corporate	PRC	RMB560,000,000	19	Power generation

20. INTERESTS IN ASSOCIATES *(continued)*

Name of associates	Business structure	Place of incorporation/ registration and operations	Nominal value of issued/ paid up capital	Percentage of equity interest attributable to the Group	Principal activities
Shenzhen Pengji (Holdings) Company Limited*	Corporate	PRC	RMB231,911,336	40	Property trading, investment and development
Shenzhen Topway Video Communication Co., Ltd.	Corporate	PRC	RMB200,000,000	21.1	Provision of cable TV and other communication network technology services
Shenzhen SEG-CNEDC Color Display Device Corp.	Corporate	PRC	RMB300,000,000	26.76	Investment holding

* Not audited by Ernst & Young, Certified Public Accountants, Hong Kong or other Ernst & Young International member firms.

+ Goldfield Industries Inc. was listed on the Shanghai Stock Exchange on 12 April 2001.

20. INTERESTS IN ASSOCIATES *(continued)*

The following is a condensed summary of certain additional financial information of the major associates:

	Shenzhen Mawan Power Company Limited		Goldfield Industries Inc.		Shenzhen Pengji (Holdings) Company Ltd.	
	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results for year:						
Turnover	1,814,880	1,783,259	304,517	997,912	920,002	1,307,874
Profit from ordinary activities after tax	575,509	682,782	29,369	230,654	72,758	43,944
Profit from ordinary activities after tax attributable to the Group	195,673*	232,146*	5,483	64,583	29,103	17,578
Financial position:						
Non-current assets	2,612,235	2,788,117	182,972	69,751	837,552	819,030
Current assets	1,114,412	1,028,989	2,132,414	977,465	1,326,157	1,314,595
Current liabilities	(1,085,183)	(1,257,465)	(784,663)	(510,238)	(1,112,208)	(1,286,608)
Non-current liabilities	(27,694)	(322,903)	(153,058)	–	(368,416)	(249,547)
Net assets	2,613,770	2,236,738	1,377,665	536,978	683,085	597,470
Share of net assets attributable to the Group	888,682	760,491	257,210	150,354	273,234	238,988

* Included in the profit from ordinary activities after tax attributable to the Group, there is bad debt recovery of HK\$126,131,000 for 2001 and HK\$180,007,000 for 2000.

21. INFRASTRUCTURE PROJECT INVESTMENTS

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year	98,528	100,900
Additions	–	2,000
Amortisation during the year	(4,372)	(4,372)
At 31 December	94,156	98,528

22. INVESTMENTS

Long term investments

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At amortised cost:				
Held-to-maturity debt securities in the PRC:				
Listed	37,840	18,838	–	–
Unlisted	1,200	1,200	–	–
	39,040	20,038	–	–
At market value:				
Listed equity investments in the PRC	20,157	20,892	–	–
At fair value:				
Unlisted equity investments in the PRC	4,273	7,191	–	–
At cost:				
Club membership	2,340	2,620	1,720	1,720
	65,810	50,741	1,720	1,720

The market value of the listed held-to-maturity debt securities at the balance sheet date was HK\$37,840,000 (2000: HK\$18,838,000).

Short term investments

At market value:				
Listed equity investments in the PRC	12,564	1,352	–	–

23. COMPLETED PROPERTIES FOR SALE

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Completed properties for sale	235,855	530,461	8,813	313,547

24. PROPERTIES UNDER DEVELOPMENT FOR SALE

	Group	
	2001	2000
	HK\$'000	HK\$'000
Costs incurred	68,754	659,357
Add: Attributable profits on incomplete projects	31,892	144,657
	100,646	804,014
Less: Sale deposits/instalments received	(49,926)	(384,782)
	50,720	419,232

The properties under development for sale are located in the PRC and are held under medium term leases.

As at 31 December 2001, interest capitalised to properties under development for sale amounted to HK\$10,261,000 (2000: HK\$23,302,000).

25. ACCOUNTS RECEIVABLE

	Group	
	2001 HK\$'000	2000 HK\$'000
Accounts receivable	<u>62,665</u>	<u>62,927</u>

An aged analysis of the accounts receivable as at 31 December 2001 and 2000 was as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within 1 year	65,154	52,676
1 to 2 years	5,874	6,467
2 to 3 years	2,359	508
Over 3 years	<u>2,923</u>	<u>23,104</u>
Total	76,310	82,755
Less: Provisions for bad and doubtful debts	<u>(13,645)</u>	<u>(19,828)</u>
	<u>62,665</u>	<u>62,927</u>

Under normal circumstances, the Group does not grant credit terms to its customers. The Group seeks to maintain strict control over its outstanding receivables and to minimise credit risk. Overdue balances are regularly reviewed by management.

26. CASH AND CASH EQUIVALENTS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Cash and bank balances	1,409,344	1,152,974	469,332	588,770
Time deposits	<u>399,217</u>	<u>379,150</u>	<u>346,278</u>	<u>223,171</u>
Cash and cash equivalents	<u>1,808,561</u>	<u>1,532,124</u>	<u>815,610</u>	<u>811,941</u>

27. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Bank loans:				
Secured	98,451	137,046	–	–
Unsecured	1,043,090	1,080,162	897,000	669,493
	1,141,541	1,217,208	897,000	669,493
Convertible bonds (note 28)	893,509	1,091,725	–	–
	2,035,050	2,308,933	897,000	669,493
Bank loans repayable:				
Within one year	1,294,050	687,635	156,000	202,393
In the second year	218,400	62,473	218,400	–
In the third to fifth years, inclusive	522,600	1,558,825	522,600	467,100
	2,035,050	2,308,933	897,000	669,493
Portion classified as current liabilities	(1,294,050)	(687,635)	(156,000)	(202,393)
Long term portion	741,000	1,621,298	741,000	467,100

Bank loans amounting to HK\$ 98,451,000 (2000: HK\$ 137,046,000) were secured by:

- (i) certain of the Group's land and buildings which have an aggregate net book value of approximately HK\$16,946,234 (2000: HK\$43,636,052), and investment properties of the Group with an aggregate value of approximately HK\$294,773,600 (2000: HK\$293,496,040); and
- (ii) certain of the vehicle licences of the Group with a net book value of HK\$2,816,500 (2000: HK\$3,151,400).

28. CONVERTIBLE BONDS

	Group	
	2001 HK\$'000	2000 HK\$'000 Restated
Principal amount:		
At beginning of year	885,894	1,032,745
Repurchased during the year	(204,846)	(148,296)
Exchange realignment	1,569	1,445
At 31 December	682,617	885,894
Add: Accretion of premium on redemption:		
At beginning of year	213,626	175,671
Provided for the year	54,880	68,760
Written back for the year	(55,837)	(31,074)
Exchange realignment	432	269
At 31 December	213,101	213,626
Less: Issue costs:		
At beginning of year	7,795	14,847
Amortised during the year	(4,280)	(5,381)
Written off upon repurchase	(1,306)	(1,671)
At 31 December	2,209	7,795
At 31 December	893,509	1,091,725

28. CONVERTIBLE BONDS *(continued)*

On 6 August 1997, Shum Yip Capital Limited (“S.Y. Capital”), a wholly-owned subsidiary of the Company, issued US\$230,000,000 of guaranteed redeemable convertible bonds (the “Bonds”) at a price of 100% of their principal amount to provide working capital for the Group. The terms of the Bonds are as follows:

- (1) The Bonds bear interest at the rate of 1.2% per annum. Interest on the Bonds is payable annually in arrears on 8 August in each year.
- (2) The Bonds are guaranteed by the Company.
- (3) The Bonds are convertible at the option of the holders from 13 October 1997 to 24 July 2002, both dates inclusive, into fully-paid shares of HK\$0.10 each in the Company at an initial conversion price of HK\$10.375 per share (the “Conversion Price”) with a fixed rate of exchange on conversion of HK\$7.7468=US\$1.00. The Conversion Price is subject to adjustment in certain circumstances.
- (4) Unless previously repurchased, redeemed or converted, the Bonds will be redeemed at the option of the issuer, in whole, but not in part, at any time on or after 8 August 2000 at their principal amount together with interest accrued to the date of redemption, provided. However, the Bonds may not be so redeemed unless (i) the closing market price of the ordinary shares on the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) for a period of 30 consecutive dealing days has been at least 130%, in case of a redemption on or before 7 August 2001 and thereafter 140%, of the Conversion Price then in effect; or (ii) at least 90% in principal amount of the Bonds has already been converted, redeemed or repurchased and cancelled. Unless previously redeemed or repurchased and cancelled, the Bonds will be redeemed on 8 August 2002 at 135.52% of their principal amount plus accrued interest.

28. CONVERTIBLE BONDS *(continued)*

During the year, the Group repurchased certain of its Bonds as follows:

Month of repurchase	Nominal value of Bonds repurchased US\$'000	Highest %	Price expressed as a percentage of the principal amount of the Bonds		Aggregate price US\$'000
			Lowest %		
May 2001	1,850	116.5	116.4		2,163
July 2001	7,980	128.5	116.8		9,913
August 2001	11,440	128.5	128.5		14,830
September 2001	2,120	130.5	130.5		2,770
December 2001	2,890	130.5	130.5		3,777
	<u>26,280</u>				<u>33,453</u>

The repurchased Bonds were cancelled upon repurchase and, accordingly, the gain or loss on repurchase was credited or charged to the profit and loss account. The gain or loss represents the difference between the proceeds paid and the nominal value of the Bonds repurchased.

During the year, the aggregate price paid for the repurchases of US\$33,453,000 (2000: US\$21,500,000), amounted to approximately HK\$259,167,000 (2000: HK\$166,871,000).

During the year, no Bonds were converted into shares of the Company (2000: Nil).

29. ACCOUNTS PAYABLE

	Group	
	2001	2000
	HK\$'000	HK\$'000
Accounts payable	53,911	60,719

An aged analysis of the accounts payable as at 31 December 2001 and 2000 was as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Within 1 year	11,178	24,556
1 to 2 years	14,332	494
2 to 3 years	284	442
Over 3 years	28,117	35,227
Total	53,911	60,719

30. DEFERRED TAX

	Group	
	2001	2000
	HK\$'000	HK\$'000
Balance at beginning of year	29,856	11,979
Charge for the year (note 10)	3,417	17,877
At 31 December	33,273	29,856

The provision for deferred tax represents timing differences in respect of the profits on the pre-sales of properties under development for sale.

The Group and the Company have no significant potential deferred tax liabilities for which provision has not been made.

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

31. SHARE CAPITAL

Shares

	Number of shares		Amount	
	2001	2000	2001 HK\$'000	2000 HK\$'000
Authorised:				
Ordinary shares of HK\$0.10 each	1,500,000,000	1,500,000,000	150,000	150,000
Issued and fully paid:				
Ordinary shares of HK\$0.10 each:				
At beginning of year	1,079,500,000	1,076,500,000	107,950	107,650
Issued in connection with				
options exercised	10,800,000	3,000,000	1,080	300
Issue of new shares	50,000,000	–	5,000	–
At end of the year	1,140,300,000	1,079,500,000	114,030	107,950

During the year, there were the following movements in share capital:

- (i) On 18 April 2001, 4,900,000 share options were exercised at a price of HK\$1.36 per share, resulting in the issue of 4,900,000 new shares of HK\$0.10 each for a total cash consideration before expenses of HK\$6,664,000.
- (ii) On 18 April 2001, 900,000 share options were exercised at a price of HK\$1.29 per share, resulting in the issue of 900,000 new shares of HK\$0.10 each for a total cash consideration before expenses of HK\$1,161,000.
- (iii) On 5 December 2001, 5,000,000 share options were exercised at a price of HK\$1.19 per share, resulting in the issue of 5,000,000 new shares of HK\$0.10 each for a total cash consideration before expenses of HK\$5,950,000.
- (iv) On 21 December 2001, 50,000,000 shares of HK\$ 0.10 each were issued for cash at a subscription of HK\$ 2.075 per share for a total cash consideration before expenses, of HK\$103,750,000.

31. SHARE CAPITAL *(continued)*

Share option scheme

Pursuant to an ordinary resolution passed on 12 February 1997, a share option scheme for employees was approved under which the directors of the Company may, at their discretion, invite any employee or director of any member of the Group to take up options to subscribe for ordinary shares in the Company.

The option prices will be determined by the board and notified to each grantee, and will not be less than 80% of the average of the closing prices of the Company's ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of the options granted to such grantee or the nominal value of the shares, whichever is the higher.

The maximum number of ordinary shares in respect of which options may be granted (together with the options exercised and options then outstanding) under the share option scheme may not exceed 10% of the issued share capital of the Company, excluding any shares issued on the exercise of options from time to time. The share option scheme will remain in force for a period of 10 years commencing on 12 February 1997.

The following share options were granted/exercised during the year:

- (i) On 8 January 2001, a total of 30,000,000 share options were granted to certain employees of the Company, which entitle the employees to subscribe for shares in the Company at a price of HK\$1.19 each during the period from 8 July 2001 to 7 July 2004. 5,000,000 of these share options were exercised on 5 December 2001.
- (ii) On 18 April 2001, a total of 4,900,000 share options were exercised at a price of HK\$1.36. These share options were granted on 15 June 2000.
- (iii) On 18 April 2001, a total of 900,000 share options were exercised at a price of HK\$1.29. These share options were granted on 15 May 2000.

31. SHARE CAPITAL *(continued)*

Particulars of the share options outstanding as at 31 December 2001 were as follows:

Date granted	Exercise period	Number of share options granted	Exercise price of share options granted
15 June 2000	15 December 2000 to 14 December 2003	2,000,000	HK\$1.36
29 September 2000	29 March 2001 to 28 March 2004	15,060,000	HK\$1.33
8 January 2001	8 July 2001 to 7 July 2004	25,000,000	HK\$1.19

The exercise in full of the share options outstanding at the balance sheet date would, under the present capital structure of the Company, result in the issue of 42,060,000 additional ordinary shares of HK\$0.10 each and cash proceeds of approximately HK\$52,499,800 before the related issue expenses.

Subsequent to the year end date, on 10 January 2002, a total of 6,000,000 share options were exercised at a price of HK\$1.19. These share options were granted on 8 January 2001.

32. RESERVES

	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory* reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
Group									
At 1 January 2000	1,182,684	40,050	51,917	(7,087)	106,395	17,967	102,806	581,167	2,075,899
Shares issued at premium	3,267	–	–	–	–	–	–	–	3,267
Share issue expenses	–	–	–	–	–	–	–	–	–
Exchange realignment									
– Subsidiaries	–	–	–	–	–	1,547	–	–	1,547
– Associates	–	–	–	–	–	1,389	–	–	1,389
Goodwill on acquisition of associates	–	–	–	–	(85,724)	–	–	–	(85,724)
Revaluation reserve released on disposal	–	(2,236)	(545)	–	–	–	–	545	(2,236)
Surplus/(deficit) on revaluation	–	9,047	–	(7,950)	–	–	–	–	1,097
Share of deficit on revaluation of investment properties of associates	–	(5,994)	–	–	–	–	–	–	(5,994)
Reserves attributable to minority shareholders	–	(3,372)	–	(146)	–	(1,105)	–	–	(4,623)
Retained profit for the year	–	–	–	–	–	–	–	288,740	288,740
Interim 2000 dividend	–	–	–	–	–	–	–	(32,385)	(32,385)
Proposed final 2000 dividend	–	–	–	–	–	–	–	(53,975)	(53,975)
Transfer from retained profits	–	–	–	–	7,479	–	34,599	(42,078)	–
At 31 December 2000									
and beginning of year	1,185,951	37,495	51,372	(15,183)	28,150	19,798	137,405	742,014	2,187,002
Shares issued at premium	108,612	–	–	–	–	–	–	–	108,612
Exchange realignments									
– Subsidiaries	–	–	–	–	–	6,713	–	–	6,713
– Associates	–	–	–	–	–	10,691	–	–	10,691
Arising from deemed disposal of an associate	–	–	–	–	113,733	–	–	(113,733)	–
Surplus on revaluation	–	67,492	–	3,852	–	–	–	–	71,344
Reserves attributable to minority shareholders	–	(65,929)	–	–	–	(2,245)	–	–	(68,174)
Net profit for the year	–	–	–	–	–	–	–	353,280	353,280
Interim 2001 dividend	–	–	–	–	–	–	–	(32,849)	(32,849)
Proposed final 2001 dividend	–	–	–	–	–	–	–	(57,315)	(57,315)
Transfer from retained profits	–	–	–	–	9,632	–	90,700	(100,332)	–
At 31 December 2001	1,294,563	39,058	51,372	(11,331)	151,515	34,957	228,105	791,065	2,579,304
Reserves retained by:									
Company and subsidiaries	1,294,563	9,925	49,707	(11,331)	93,995	18,065	210,454	4,776	1,670,154
Associates	–	29,133	1,665	–	57,520	16,892	17,651	786,289	909,150
31 December 2001	1,294,563	39,058	51,372	(11,331)	151,515	34,957	228,105	791,065	2,579,304
Company and subsidiaries	1,185,951	8,362	49,707	(15,183)	93,995	13,597	119,754	304,753	1,760,936
Associates	–	29,133	1,665	–	(65,845)	6,201	17,651	437,261	426,066
31 December 2000	1,185,951	37,495	51,372	(15,183)	28,150	19,798	137,405	742,014	2,187,002

32. RESERVES (continued)

	Share premium account HK\$'000	Investment property revaluation reserve HK\$'000	Assets revaluation reserve HK\$'000	Investment revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange fluctuation reserve HK\$'000	Statutory* reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
Company									
At 1 January 2000	1,182,684	-	-	-	-	-	-	512,112	1,694,796
Share issued at premium	3,267	-	-	-	-	-	-	-	3,267
Profit for the year	-	-	-	-	-	-	-	124,061	124,061
Dividends	-	-	-	-	-	-	-	(86,360)	(86,360)
At 31 December 2000	1,185,951	-	-	-	-	-	-	549,813	1,735,764
Shares issued at premium	108,612	-	-	-	-	-	-	-	108,612
Profit for the year	-	-	-	-	-	-	-	156,583	156,583
Interim 2001 dividend	-	-	-	-	-	-	-	(32,849)	(32,849)
Proposed final 2001 dividend	-	-	-	-	-	-	-	(57,315)	(57,315)
At 31 December 2001	1,294,563	-	-	-	-	-	-	616,232	1,910,795

* Pursuant to the relevant laws and regulations for Sino-foreign joint venture enterprises, a portion of the profits of the Group's subsidiaries and associates in the PRC has been transferred to statutory reserves which are restricted as to use.

The aggregate amount of reserves available for distribution to shareholders of the Company at 31 December 2001 was HK\$616,232,000 (2000: HK\$549,813,000), which represents the retained profits at that date.

Certain amounts of goodwill arising on acquisition of subsidiaries and associates, remain eliminated against consolidated reserves as explained in notes 19 and 20 to the financial statements.

33. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of profit before tax to net cash inflow from operating activities

	2001 HK\$'000	2000 HK\$'000 (Restated)
Profit before tax	667,946	554,407
Interest income	(64,742)	(67,308)
Interest expense	77,473	40,907
Depreciation	73,214	61,187
Dividend income	(9,889)	(14,906)
Share of profits and losses of associates	(396,153)	(397,328)
Amortisation of intangible assets	2,481	2,387
Gain on deemed disposal of an associate	(92,763)	–
Gain arising on the repurchase and cancellation of convertible bonds	(1,516)	(12,499)
Amortisation of convertible bond issue expenses	4,280	5,381
Bad debts recovery	(6,183)	(6,769)
Issue costs of convertible bonds written off upon repurchase	1,306	1,671
Accretion of convertible bond premium on redemption	54,880	68,760
(Gain)/loss on disposal of fixed assets	(980)	1,067
Unrealised holding gains on listed securities	(1,166)	(401)
Provision for impairment in values of properties under development	6,174	9,736
Amortisation of infrastructure project investments	4,372	4,372
Decrease in accounts receivable	6,445	30,723
(Increase)/decrease in other receivables	41,594	(76,493)
Decrease in deposits paid for the acquisition of associates & subsidiaries	13,187	–
(Increase)/decrease in inventories	(42,029)	3,230
Decrease in properties under development for sale	494,299	87,719
Increase in completed properties for sale	35,497	(26,934)
Increase in an amount due from a minority shareholder	(5,834)	–
Decrease in accounts payable	(6,808)	(3,329)
Increase in other payables and accruals	29,719	94,114
Decrease in an amount due to a minority shareholder	(13,410)	(46,592)
Decrease in an amount due to an ultimate holding company	–	(4,148)
Net cash inflow from operating activities	871,394	308,954

33. NOTES TO THE CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account) HK\$'000	Bank loans HK\$'000	Convertible bonds HK\$'000	Minority Interests HK\$'000
Balance at 1 January 2000	1,290,334	559,007	1,193,568	622,360
Net cash inflow/(outflow) from financing activities, net	3,567	656,538	(166,871)	–
Amortisation and write off of convertible bonds issue costs	–	–	7,052	–
Gain arising on the repurchase of convertible bonds	–	–	(12,499)	–
Accretion of convertible bond premium on redemption	–	–	68,760	–
Minority shareholders' share of				–
– Profit for the year	–	–	–	183,185
– Reserves	–	–	–	4,623
Dividends paid to minority shareholders	–	–	–	(67,153)
Exchange realignment	–	1,663	1,715	–
Balance at 1 January 2001	1,293,901	1,217,208	1,091,725	743,015
Net cash inflow/(outflow) from financing activities, net	114,692	(75,667)	(259,167)	7,393
Amortisation and write off of convertible bond issue costs	–	–	5,586	–
Gain arising on repurchase of convertible bonds	–	–	(1,516)	–
Accretion of convertible bonds premium on redemption	–	–	54,880	–
Minority shareholders' share of	–	–	–	–
– Profit for the year	–	–	–	209,591
– Reserves	–	–	–	68,174
Dividends paid to minority shareholders	–	–	–	(91,182)
Exchange realignment	–	–	2,001	–
Balance at 31 December 2001	1,408,593	1,141,541	893,509	936,991

(c) Major non-cash transaction

During the year, completed properties for sale amounting to HK\$310 million was transferred to investment properties.

34. OPERATING LEASE ARRANGEMENTS

(i) As lessor

The Group leases certain of its investment properties (note 18 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from two to five years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2001, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenants falling due as follows:

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Within one year	85,823	76,895	–	11,502
In the second to fifth years, inclusive	169,893	181,749	–	7,044
After five years	57,740	90,973	–	–
	<u>313,456</u>	<u>349,617</u>	<u>–</u>	<u>18,546</u>

34. OPERATING LEASE ARRANGEMENTS *(continued)*

(ii) As lessee

The Group leases certain of its office property and staff quarters under operating lease arrangements. Lease for properties are negotiated for terms ranging from two to five years.

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

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At 31 December 2001, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:				
Within one year	2,538	3,918	2,524	1,447
In the second to fifth years, inclusive	8,988	1,411	8,488	1,349
	<u>11,526</u>	<u>5,329</u>	<u>11,012</u>	<u>2,796</u>

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivable under non-cancellable operating leases, as detailed in note(i) above. This disclosure was not previously required. SSAP 14 (Revised) also requires lessees under operating leases to disclose the total future minimum operating lease payments, rather than only the payments to be made during the next year as was previously required. Accordingly, the prior year comparative amounts for operating leases have been restated to accord with the current year's presentation.

35. COMMITMENTS

In addition to the operating lease commitments detailed in note 34 above, the Group had the following commitments at the balance sheet.

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(i) Commitments in respect of acquisition of land and buildings, and development costs attributable to properties under development:				
Authorised, but not contracted for	9,911	183,978	–	–
Contracted, but not provided for	30,700	123,695	–	–
	<u>40,611</u>	<u>307,673</u>	<u>–</u>	<u>–</u>
(ii) Commitments in respect of a capital injection to a joint venture in the PRC:				
Contracted, but not provided for	37,840	–	–	–
	<u>37,840</u>	<u>–</u>	<u>–</u>	<u>–</u>
(iii) Commitments under forward foreign exchange contracts	40,320	–	40,320	–
	<u>40,320</u>	<u>–</u>	<u>40,320</u>	<u>–</u>

36. CONTINGENT LIABILITIES

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

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
(i) Guarantees given to the holders of convertible bonds (note 28)	–	–	682,617	885,894
(ii) Guarantees for credit facilities granted to:				
Subsidiaries	–	–	193,930	392,772
	<u>–</u>	<u>–</u>	<u>193,930</u>	<u>392,772</u>

(iii) At 31 December 2001, the Group had given guarantees to a maximum extent of approximately HK\$1,078,000,000 (2000: HK\$602,972,837) to banks for housing loans extended by the banks to the purchasers of the Group's properties.

37. RELATED PARTY TRANSACTIONS

The Group had the following material transactions with related parties during the year:

		Group	
		2001 HK\$'000	2000 HK\$'000
Shum Yip Holdings			
– Rental expenses paid	(i)	2,929	2,351
– Payments made on behalf of the Group, at cost on a reimbursement basis		–	3,417
– Acquisition of associates		–	165,000
Karbyon Investment Limited, an associate			
– Properties in the PRC received in exchange for the settlement of a shareholder's loan	(ii)	8,813	160,294
Guangzhou Nanfang Highway Transportation Co., Ltd., an associate			
– Sale of motor vehicles	(iii)	29,589	–

- (i) The rentals were determined by the directors with reference to the market prices of similar transactions.
- (ii) The exchange price was determined by the directors at a discount of HK\$6,389,000 (2000: HK\$116,100,000) to the market prices of similar properties sold by the associate to third parties.
- (iii) The motor vehicles were disposed to the associate at net book value.

38. POST BALANCE SHEET EVENT

On 6 March 2002, the Company entered into a conditional agreement with Shum Yip Holdings, who is the controlling shareholder of the Company, to acquire the remaining 60% equity interest in Shenzhen Pengji (Holdings) Company Limited, an associate of the Company from Shum Yip Holdings for an aggregate consideration of HK\$304.6 million, resulting in negative goodwill on acquisition of HK\$34,405,000.

39. COMPARATIVE AMOUNTS

For the year ended on 31 December 2000, accretion of convertible bond premium written back on redemption upon the repurchase of convertible bonds amounting to HK\$31,074,000 was reclassified from finance costs to surplus arising from repurchase of convertible bonds; and investment income of HK\$82,615,000 and other revenue of HK\$37,700,000 were grouped together under other revenue and gains as in the opinion of the directors, such reclassification would produce a more appropriate presentation of the Group's results.

40. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 22 April 2002.