Notes to Financial Statements

31 December 2001

1. CORPORATE INFORMATION

During the year, the Group was principally engaged in the following activities:

- provision of decoration services and electrical and mechanical works
- property development
- property investment
- provision of property management and agency services
- general trading of textile products (discontinued during the year – note 6)

Other than the discontinuance of the business of general trading of textile products, there were no significant changes in the nature of the Group's principal activities during the year.

In the opinion of the directors, the Company's ultimate holding company is Perfect Land Limited, which is incorporated in the British Virgin Islands.

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"

These SSAPs prescribe new accounting measurements and disclosure practices. The major effects on the Group's accounting policies and on the amounts disclosed in these financial statements arising from those SSAPs which have had significant effects on these financial statements are summarised as follows:

SSAP 14 (Revised) prescribes the basis for lessor and lessee accounting for finance and operating leases, and the required disclosures in respect thereof. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements and accordingly no prior year adjustment was required. The disclosure changes under this SSAP have resulted in changes to the detailed information disclosed for operating leases, which are further detailed in note 35 to the financial statements.

SSAP 18 (Revised) prescribes the recognition of revenue and was revised as a consequence of the revision to SSAP 9. 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 resulted in a prior year adjustment, further details of which are included in notes 11 and 33 to the financial statements.

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

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 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.

SSAP 31 prescribes the recognition and measurement criteria for the 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.

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 and certain fixed assets and equity investments as further explained below.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 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 whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

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

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

Joint venture companies

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

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

A joint venture company is treated as:

(a) a subsidiary, if the Company has unilateral control over the joint venture company;

(b) a jointly-controlled entity, if the Group does not have unilateral control, but has joint control with other joint venture parties over the joint venture company;

(c) an associate, if the Group does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's share or registered capital and is in a position to exercise significant influence over the joint venture company; or

(d) a long term investment, if the Group holds less than 20% of the joint venture company's share or registered capital, and neither has joint control, nor is in a position to exercise significant influence over the joint venture company.

Jointly-controlled entities

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

The Group's share of the post-acquisition results and reserves of jointly-controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's interests in jointly-controlled entities 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.

Associates

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

The Group's share of the post-acquisition results and reserves of associates are 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.

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

Goodwill

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

Goodwill arising on acquisition is recognised in the consolidated balance sheet as an asset and amortised on the straight-line basis over its estimated useful life of not more than 20 years. In the case of associates and jointly-controlled entities, 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, associates or jointly-controlled entities, 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 consolidated 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.

Negative goodwill

Negative goodwill arising on the acquisition of subsidiaries, associates and jointly-controlled entities 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 and jointly-controlled entities, 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.

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

Negative goodwill *(continued)*

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, associates or jointly-controlled entities, 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.

Fixed assets and depreciation

Fixed assets, other than investment properties, 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 the 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 property 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 revaluation reserve realised in respect of previous valuations is transferred to retained profits as a movement in reserves.

Depreciation is calculated on the straight-line basis to write off the cost or valuation of each asset over the following estimated useful lives:

Leasehold land	Over the remaining unexpired lease terms
Buildings	25 years
Leasehold improvements	Shorter of the lease terms or 6 years
Furniture and fixtures	5 years
Office equipment	5 years
Motor vehicles	3 to 6 years

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.

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

Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long term basis for their investment potential, any rental income being negotiated at arm's length. Such properties are not depreciated and are stated at valuation at the balance sheet date. 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 are stated at cost less any impairment losses. Cost comprises land and other development costs, including capitalised interest, at the balance sheet date.

When a property under development is pre-sold, the attributable profit recognised on the pre-sold portion of the property under development is determined by the apportionment of the estimated profit over the entire period of construction to reflect the progress of the development and is calculated by reference to the proportion of construction costs incurred to the balance sheet date to the estimated total construction costs to completion, but is limited to the amount of sales deposits received and with due allowance for contingencies. Deposits received on properties pre-sold prior to their completion in excess of the attributable profit recognised are classified as liabilities.

Where purchasers fail to pay the balance of the sale consideration on completion, the Group is entitled to forfeit the pre-sale deposits and to resell the property. In the event that the Group exercises such entitlement, the difference between the pre-sale deposits forfeited and the pre-sale profit recognised up to the date of forfeiture is credited to the profit and loss account as other revenue.

On completion of the properties, the relevant account balance will be reclassified to fixed assets, properties for sale or investment properties for rental purposes, depending on the intended usage.

Investment in securities

Investment securities are non-trading investments which are intended to be held on a continuing basis and are stated at cost less any impairment losses that are considered by the directors to be other than temporary, on an individual investment basis.

Investments other than investment securities are classified as other investments and are stated at their fair values on an individual investment basis. The gains or losses arising from changes in their respective values are credited or charged to the profit and loss account for the period in which they arise.

Properties contracted/held for sale

Properties contracted/held for sale are stated at the lower of cost and net realisable value. Net realisable value is based on the prevailing market value less further selling expenses expected to be incurred.

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

Construction contracts

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

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the percentage of actual costs incurred to date to the estimated total construction costs for each contract or certification by customers. Provision is made for foreseeable losses as soon as they are anticipated by the management.

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

Impairment of assets

An assessment is made at each balance sheet date to determine whether there is any indication of impairment of assets, 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.

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.

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

Provisions

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

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

Deferred tax

Deferred tax is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised unless 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 subsidiaries, jointly-controlled entities and associates denominated in foreign currencies are translated to 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.

Retirement benefits scheme

The Group operates a defined contribution Mandatory Provident Fund retirement benefits scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance, for all its employees who are eligible to participate in the MPF 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.

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:

(i) from construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" above;

(ii) from the sale of properties, when a legally binding unconditional sale and purchase agreement is executed;

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

Revenue recognition *(continued)*

(iii) from the pre-sale of properties, 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 "Properties under development" above;

(iv) from the rendering of property management and agency services, when such services are rendered;

(v) rental income, on a time proportion basis over the lease terms;

(vi) from the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer, provided that the Group maintains neither managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;

(vii) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable; and

(viii) dividend income, when the shareholders' right to receive payment has been established.

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 bye-laws 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 treatment for dividends resulting from the adoption of SSAP 18 (Revised) have given rise to prior year adjustments in the Company's financial statements, further details of which are included in notes 11 and 33 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 and bank balances represent assets which are not restricted as to use.

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 business segment engages in the development of properties for sale;

(b) the property investment business segment engages in property leasing;

(c) the property management and agency services segment provides property management and agency services;

(d) the construction services segment engages in construction contract works as a main contractor or sub-contractor, primarily in respect of decoration, electrical and mechanical works; and

(e) the general trading segment engages in the trading of textile products and was discontinued during the year (note 6).

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. SEGMENT INFORMATION *(continued)*

(a) Business segments

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

Group

	Property development		Property investment		Property management and agency services		Construction		General trading		Eliminations		Consolidated	
	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 revenue:														
Sales to external customers	**9,045**	21,038	**8,832**	8,314	**9,327**	6,474	**73,830**	56,326	**20,712**	27,715	**-**	-	**121,746**	119,867
Intersegment sales	**-**	-	**-**	-	**83**	-	**-**	-	**-**	-	**(83)**	-	**-**	-
Total	**9,045**	21,038	**8,832**	8,314	**9,410**	6,474	**73,830**	56,326	**20,712**	27,715	**(83)**	-	**121,746**	119,867
Segment results	**(27,425)**	(9,839)	**8,575**	7,319	**4,572**	1,524	**(12,841)**	(54,068)	**8,172**	304	**-**	-	**(18,947)**	(54,760)
Interest income													**1,504**	1,413
Other unallocated revenue													**670**	1,337
Unallocated expenses													**(15,750)**	(23,171)
Loss from operating activities													**(32,523)**	(75,181)
Finance cost													**(24,685)**	(23,105)
Share of profits and losses of:														
Jointly-controlled entities	**(1,610)**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(1,610)**	-
Unallocated amounts on jointly-controlled entities													**48,079**	40,095
Associates													**(2,196)**	8
Loss before tax													**(12,935)**	(58,183)
Tax													**(17,172)**	(15,338)
Loss before minority interests													**(30,107)**	(73,521)
Minority interests													**31,486**	27,470
Net profit/(loss) from ordinary activities attributable to shareholders													**1,379**	(46,051)
Segment assets	**80,561**	138,692	**345,340**	330,000	**682**	882	**45,987**	91,391	**-**	21,829	**-**	-	**472,570**	582,794
Unallocated assets													**119,180**	111,232
Interests in jointly-controlled entities	**35,475**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**35,475**	-
Unallocated amounts on jointly-controlled entities													**(33,844)**	(73,945)
Interests in associates													**2,377**	2,412
Total assets													**595,758**	622,493
Segment liabilities	**26,311**	28,065	**2,986**	4,302	**4,814**	4,434	**25,820**	21,398	**-**	39,882	**-**	-	**59,931**	98,081
Unallocated liabilities													**356,914**	292,789
Total liabilities													**416,845**	390,870

4. SEGMENT INFORMATION *(continued)*

(a) Business segments *(continued)*

	Property development		Property investment		Property management and agency services		Construction		General trading		Eliminations		Consolidated	
	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
Other segment information:														
Depreciation	-	-	-	-	156	152	178	163	4	22	-	-	338	337
Unallocated amounts													2,733	2,640
													3,071	2,977
Provision for foreseeable losses on construction contracts	-	-	-	-	-	-	-	49,469	-	-	-	-	-	49,469
Provision against doubtful debts	-	-	-	-	-	-	-	7,276	-	-	-	-	-	7,276
Unallocated amounts													902	-
													902	7,276
Loss/(gain) on disposal of investment properties	-	-	1,267	(750)	-	-	-	-	-	-	-	-	1,267	(750)
Impairment of properties contracted/held for sales	16,163	-	-	-	-	-	-	-	-	-	-	-	16,163	-
Gain on disposal of a subsidiary	-	-	-	-	-	-	(248)	-	(7,058)	-	-	-	(7,306)	-
Unallocated amounts													-	(1,212)
													(7,306)	(1,212)
Capital expenditure	300	12	910	6,232	-	-	-	-	-	-	-	-	1,210	6,244

4. SEGMENT INFORMATION *(continued)*

(b) Geographical segments

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

Group

	Hong Kong		Elsewhere in the People's Republic of China (the "PRC")		Consolidated	
	2001	2000	**2001**	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:						
Sales to external customers	**56,088**	33,850	**65,658**	86,017	**121,746**	119,867
Segment results	**4,259**	(4,023)	**(23,206)**	(50,737)	**(18,947)**	(54,760)
Other segment information:						
Segment assets	65,918	73,887	529,840	548,606	595,758	622,493
Capital expenditure	300	12	910	6,232	1,210	6,244

5. TURNOVER AND REVENUE

An analysis of the turnover and other revenue of the Group is as follows:

	2001	2000
	HK$'000	*HK$'000*
Turnover		
Continuing operations:		
Construction contract revenue	**73,830**	56,325
Sale of properties	**8,832**	21,038
Gross rental income	**9,045**	8,314
Property management and agency fees	**9,327**	6,475
	101,034	92,152
Discontinued operations:		
Sale of goods	**20,712**	27,715
	121,746	119,867
Other revenue		
Interest income	**1,504**	1,413
Others	**2,894**	2,975
	4,398	4,388
	126,144	124,255

6. DISCONTINUED OPERATIONS

During the year, the Group discontinued its business of the trading of textile products following the disposal of 66% out of its original holding of 70% equity interest in South Field (Pacific) Limited ("South Field") on 27 March 2001. The results of South Field were consolidated to the date of its disposal, at which time the assets and liabilities of South Field disposed of were transferred to the gain on disposal of a subsidiary. Included in the profit from operating activities from the discontinued operations of HK$8,172,000 is the gain on disposal of South Field of HK$7,058,000.

7. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2001 *HK$'000*	2000 *HK$'000*
Staff costs (excluding directors' remuneration, note 8):		
Wages and salaries	17,043	18,581
Pension contributions	309	28
	17,352	18,609
Minimum lease payments under operating leases in respect of land and buildings	1,822	1,767
Auditors' remuneration	1,080	800
Loss/(gain) on disposal of fixed assets	(211)	53
Write-off of fixed assets	112	–
Loss/(gain) on disposal of investment properties*	1,267	(750)
Gain on disposal of subsidiaries	(7,306)	(1,212)
Revaluation deficit on/impairment of properties:		
Revaluation deficit on leasehold land and buildings	123	557
Impairment of properties contracted/held for sale	16,163	–
	16,286	557
Unrealised loss on revaluation of other investments	2,766	–
Net rental income**	(8,563)	(7,967)

* The corresponding sales proceeds and cost of properties sold are included in "Turnover" and "Cost of properties sold" respectively as presented on the profit and loss account.

** The gross rental income is included in "Turnover" as presented on the profit and loss account.

8. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID EMPLOYEES

Directors' remuneration

Directors' remuneration, disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and Section 161 of the Companies Ordinance, is as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Fees:		
Executive directors	**–**	–
Independent non-executive directors	**360**	360
Other emoluments for executive directors:		
Salaries, allowances and benefits in kind	**3,381**	2,466
Pension contributions	**–**	2
	3,381	2,468
	3,741	2,828

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

	Number of directors	
	2001	2000
Nil to HK$1,000,000	**6**	5
HK$1,500,001 to HK$2,000,000	**1**	1
	7	6

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

8. DIRECTORS' REMUNERATION AND EMOLUMENTS OF THE FIVE HIGHEST PAID EMPLOYEES *(continued)*

Five highest paid employees

The five highest paid employees during the year included three (2000: two) directors, details of whose remuneration are set out above. The details of the remuneration of the remaining two (2000: three) non-directors, highest paid employees are as follows:

	Group	
	2001	2000
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**1,541**	1,951
Pension contributions	**–**	2
	1,541	1,953

The number of non-director, highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2001	2000
Nil to HK$1,000,000	**2**	3

9. FINANCE COSTS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Interest on:		
Bank loans, overdrafts and other loans wholly repayable within five years	**5,299**	2,769
Other loans	**19,386**	20,336
	24,685	23,105

10. TAX

Hong Kong profits tax has been provided at the rate of 16% (2000: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

	Group	
	2001	2000
	HK$'000	*HK$'000*
Group:		
Hong Kong	**10**	2,854
Elsewhere	**1,352**	1,305
Overprovision in prior years	**–**	(1,129)
	1,362	3,030
Share of tax attributable to a jointly-controlled entity:		
Elsewhere	**15,810**	12,308
Tax charge for the year	**17,172**	15,338

Deferred tax has not been provided because there were no significant timing differences at the balance sheet date.

11. NET PROFIT/(LOSS) FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net loss from ordinary activities attributable to shareholders for the year dealt with in the financial statements of the Company was HK$16,437,000 (2000 (restated): HK$44,406,000).

The comparative amount for 2000 has been restated by a prior year adjustment resulting in a credit of HK$14,000,000 to the Company's net profit for that year, representing the 1999 proposed final dividends from its subsidiaries. The prior year adjustment reversed dividends from subsidiaries which were declared and approved by the subsidiaries after the 1999 balance sheet date, but which were recognised by the Company as revenue in its financial statements for that year. The prior year adjustment resulted in a reduction of HK$14,000,000 in the amount of the Company's retained profits as at 1 January 2000. This change in accounting policy has arisen from the adoption of revisions to SSAP 18, as further detailed in notes 2 and 33 to the financial statements.

12. DIVIDEND

	2001	2000
	HK$'000	*HK$'000*
Interim – HK$0.01 per ordinary share (2000: Nil)	**2,992**	–

13. EARNINGS/(LOSS) PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK$1,379,000 (net loss for the year ended 31 December 2000: HK$46,051,000), and the weighted average of 299,811,970 (2000: 300,000,094) ordinary shares in issue during the year.

Diluted earnings per share of the year ended 31 December 2001 has not been disclosed as the share options and warrants outstanding during the year had an anti-dilutive effect on the basic earnings per share for the year.

The calculation of diluted loss per share for the year ended 31 December 2000 is based on the net loss from ordinary activities attributable to shareholders for the year of HK$46,051,000. The weighted average number of ordinary shares used in the calculation is 300,000,094 ordinary shares in issue during the year, as used in the basic loss per share calculation; and the weighted average of 2,293,788 ordinary shares assumed to have been issued at no consideration on the deemed exercise of all share options during the year.

14. FIXED ASSETS

Group

	Leasehold land and buildings *HK$'000*	Leasehold improvements *HK$'000*	Furniture and fixtures *HK$'000*	Office equipment *HK$'000*	Motor vehicles *HK$'000*	Total *HK$'000*
Cost or valuation:						
At beginning of year	23,800	4,680	1,588	3,638	3,154	36,860
Additions	–	139	59	476	1,572	2,246
Disposals	–	–	(59)	–	(292)	(351)
Write-off	–	–	(48)	(58)	(145)	(251)
Disposal of a subsidiary	–	(26)	–	(114)	–	(140)
Revaluation deficit	(3,009)	–	–	–	–	(3,009)
Transfer to investment properties *(note 15)*	(1,391)	–	–	–	–	(1,391)
At 31 December 2001	19,400	4,793	1,540	3,942	4,289	33,964
Accumulated depreciation:						
At beginning of year	–	2,354	702	1,836	2,870	7,762
Provided during the year	914	678	311	633	535	3,071
Disposals	–	–	(40)	–	(290)	(330)
Write-off	–	–	(26)	(35)	(78)	(139)
Disposal of a subsidiary	–	(2)	–	(23)	–	(25)
Reversal upon revaluation	(914)	–	–	–	–	(914)
At 31 December 2001	–	3,030	947	2,411	3,037	9,425
Net book value:						
At 31 December 2001	19,400	1,763	593	1,531	1,252	24,539
At 31 December 2000	23,800	2,326	886	1,802	284	29,098
Analysis of cost or valuation:						
At cost	–	4,793	1,540	3,942	4,289	14,564
At 31 December 2001 valuation	19,400	–	–	–	–	19,400
	19,400	4,793	1,540	3,942	4,289	33,964

14. FIXED ASSETS *(continued)*

The Group's leasehold land and buildings are held under the following lease terms:

	HK$'000
Hong Kong, long term leases	6,500
Elsewhere, medium term leases	12,900
	19,400

The leasehold land and buildings were revalued on 31 December 2001 at HK$19,400,000 (2000: HK$23,800,000) by RHL Appraisal Ltd. ("RHL"), independent professional valuers, on an open market, existing use basis.

Revaluation deficit of HK$1,972,000 (2000: HK$600,000) and HK$123,000 (2000: HK$557,000) have been charged to the property revaluation reserve (note 33) and the profit and loss account (note 7) respectively.

Had these leasehold land and buildings been carried at historical cost less accumulated depreciation, their carrying value would have been approximately HK$21,239,000 (2000: HK$23,404,000).

As at 31 December 2001, the Group's leasehold land and buildings situated in Hong Kong with carrying value of HK$6,500,000 were pledged to secure banking facilities granted to the Group (note 31).

Further particulars of the Group's leasehold land and buildings are included on page 72 of the annual report.

15. INVESTMENT PROPERTIES

	Group *HK$'000*
At beginning of year	330,000
Additions	910
Disposals	(6,103)
Transfer from fixed assets *(note 14)*	1,391
Transfer from properties held for sale	34,275
Revaluation deficit	(15,133)
At 31 December 2001	345,340

The Group's investment properties are situated in the PRC and are held under medium term leases.

In prior years, the Group's investment properties were stated at amounts detetmined by valuations performed by independent professional valuers. Commencing from the current year, the Group's investment properties have been stated on the basis of a directors' valuation of HK$345,340,000 as at 31 December 2001. A revaluation deficit of HK$15,133,000 (2000: HK$7,649,000) arising therefrom has been charged to the investment property revaluation reserve (note 33).

Pursuant to a revaluation performed by RHL, independent professional valuers, as at 31 December 2001, the valuation of the investment properties, on an open market, existing use basis, amounted to HK$305,340,000. This valuation has not been incorporated in these financial statements. Had the investment properties been stated on the basis of the valuation performed by RHL, an additional revaluation deficit of HK$40,000,000 would has been charged to the profit and loss account.

Further particulars of the Group's investment properties are included on page 72 of the annual report.

16. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001	2000
	HK$'000	*HK$'000*
At beginning of year	**5,184**	5,172
Additions	**300**	12
At 31 December	**5,484**	5,184

The properties under development represent land held under a long term lease in Hong Kong and the associated preliminary costs incurred for development purposes.

17. INVESTMENTS IN SUBSIDIARIES

	Company	
	2001	2000
	HK$'000	*HK$'000*
Unlisted investments, at cost	**182,079**	182,079
Provision for impairment	**(53,784)**	(53,784)
	128,295	128,295

The balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the subsidiaries are as follows:

Name	**Place of incorporation/ registration and operations**	**Nominal value of issued ordinary share/ registered capital**	**Percentage of equity attributable to the Company**	**Principal activities**
Directly held				
Hudson Group Limited	British Virgin Islands/ Hong Kong	US$50,000	100	Investment holding

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held				
Beijing Urban Construction Hudson Decoration Engineering Co., Ltd.	PRC	RMB8,000,000	51	Provision of decoration services and electrical and mechanical works
China Step Investments Limited	Hong Kong	HK$3,000,000	51	Investment holding
Good Brave Investment Limited ("Good Brave")	Hong Kong	HK$10 ordinary shares HK$10,000 non-voting deferred shares *(note a)*	100	Provision of building construction project management services
Henrich Development Limited	Hong Kong	HK$10,000	95	Property development
Hudson-China Electronic Real Estate Development (Wuhan) Co., Ltd. ("Hudson-China")	PRC	US$4,000,000	100	Provision of decoration services and electrical and mechanical works
Hudson Canacific Limited	Hong Kong	HK$1,000,000	100	Provision of design and decoration services
Hudson Construction Limited	Hong Kong	HK$13,000,000	100	Investment holding
Hudson Design and Contracting Limited	Hong Kong	HK$1,667,000	100	Provision of design and decoration services
Hudson Development Worldwide Limited	Hong Kong	HK$100	100	Investment holding

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(Continued)*				
Hudson Development (H.K.) Limited ("HDHK")	Hong Kong	HK$10 ordinary shares HK$1,000,000 non-voting deferred shares *(note a)*	100	Investment holding
Hudson Engineering System Limited	Hong Kong	HK$2	100	Investment holding
Hudson Engineering System (Wuhan) . Co., Ltd	PRC	US$1,050,000	100	Provision of electrical and mechanical works
Hudson Finance Company Limited	Hong Kong	HK$30,000,000	100	Provision of financial services
Hudson International Hong Kong Limited	Hong Kong	HK$2	100	Investment holding
Hudson Investment (China) Limited	Samoa/Hong Kong	US$1,000	100	Investment holding
Hudson Investment Worldwide Limited	Hong Kong	HK$100	100	Investment holding
Hudson Nominees Limited	Hong Kong	HK$2	100	Provision of secretarial services
Hudson Real Estate Management Hong Kong Limited	Hong Kong	HK$2	100	Property management
Hudson Real Estate Services Wuhan Limited	PRC	HK$1,000,000	100	Provision of property agency services

17. INVESTMENTS IN SUBSIDIARIES *(continued)*

Name	Place of incorporation/ registration and operations	Nominal value of issued ordinary share/ registered capital	Percentage of equity attributable to the Company	Principal activities
Indirectly held *(Continued)*				
International Management Company Limited ("IMC")	Hong Kong	HK$1,500,000 *(note b)*	100	Investment holding
Net Gain Development Limited	Hong Kong	HK$2	100	Investment holding
Regent Sino Development Limited	Hong Kong	HK$2	100	Provision of design and decoration services and electrical and mechanical works
Well Chance Investment Limited	Hong Kong	HK$10,000	100	Property holding and leasing of properties
Wuhan Hengxin Real Estate Development Co., Ltd.	PRC	RMB20,000,000	51	Dormant
Wuhan Huaxin Management Limited ("WHML")	PRC	RMB3,000,000	51	Property management
Wuhan Huaxin Real-Estate Development Co., Ltd. ("WHRED")	PRC	US$8,000,000	51	Property development and investment

Notes:

(a) The non-voting deferred shares do not entitle the holders thereof to receive notice of or to attend or vote at any general meeting of Good Brave and HDHK by virtue or in respect of their holdings of such non-voting deferred shares, except a general meeting convened for any resolution varying or abrogating any of the rights or privileges of the said non-voting deferred shares, or when the resolution to be submitted at a general meeting directly affects the rights and privileges of such holders, or for the purpose of reducing share capital. The holders of the non-voting deferred shares shall not be entitled to any dividends of Good Brave and HDHK unless the profit available for distribution for the financial year exceeds HK$100,000,000,000,000 and shall not be entitled to any participation in the profits or assets of Good Brave and HDHK. On a winding-up, the holders of the non-voting deferred shares shall be entitled, out of the surplus assets of Good Brave and HDHK, to a return of the capital paid-up on the non-voting deferred shares held by them after a total sum of HK$500,000,000,000,000 has been distributed in such winding-up in respect of the ordinary shares of Good Brave and HDHK.

(b) All issued shares of IMC were pledged for the banking facilities granted to the Group *(note 31)*.

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Share of net assets	**80,763**	47,789
Loan from a jointly-controlled entity	**(78,870)**	(104,114)
Due to a jointly-controlled entity	**(11,336)**	(18,692)
	(9,443)	(75,017)

The loan from a jointly-controlled entity of HK$78,870,000 is unsecured, bears interest at rates ranging from 6.39% to 6.435% per annum and is repayable after 31 December 2003.

The amount due to a jointly-controlled entity of HK$11,336,000 is unsecured, interest-free and is repayable after 31 December 2003.

Other balances with jointly-controlled entities are unsecured, interest-free and have no fixed terms of repayment, and are classified under current assets.

Particulars of the Group's jointly-controlled entities are as follows:

Name	Business structure	Place of incorporation/ registration and operations	Percentage of equity attributable to the Group	Principal activities
Wuhan Plaza Management Co., Ltd. ("WPM") *Note (a)*	Corporate	PRC	49	Operation and management of a department store
Winky Industries Limited ("Winky")	Corporate	Hong Kong	28	Investment holding
武漢東龍房地產開發有限公司 ("Donglong")	Corporate	PRC	*Note (b)*	Property development and investment

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

Notes:

(a) WPM is an equity joint venture company established by IMC, an indirectly held subsidiary of the Company, and a PRC joint venturer for a period of 20 years commencing from 29 December 1993. The registered capital of WPM amounted to US$21,000,000. As at 31 December 2001, IMC has assigned all joint venture rights in WPM to a bank for banking facilities granted to the Group *(note 31)*.

(b) Donglong is a co-operative joint venture established by a Hong Kong joint venturer (the "HK Partner", which subsequently disposed of its interests in Donglong to Winky) and a PRC joint venturer (the "PRC Partner") for a period of 15 years commencing on 12 December 1992. According to the joint venture agreement entered into between the HK Partner and the PRC Partner on 4 September 1992 (the "JV Agreement"), the HK Partner (and hence the Group currently) is required to contribute capital to Donglong, while the PRC Partner is responsible for the arrangement of obtaining the land for development and the relevant leveling and preparation works for the land. According to the JV Agreement, Winky and the PRC Partner was entitled to 70% and 30%, respectively, of the results of Donglong. Pursuant to another agreement entered into between the HK Partner and the PRC Partner on 28 September 1996, the PRC Partner agreed to withdraw from Donglong such that Winky would be responsible for all the business activities of Donglong and would also be entitled to all of its results from that date onwards. The directors, based on an opinion from a PRC lawyer, considered it is appropriate to account for Donglong as a wholly-owned subsidiary of Winky.

Extract of the results and financial position of the Group's major jointly-controlled entities, WPM and Donglong, which are based on their audited financial statements prepared under the accounting principles generally accepted in Hong Kong, are as follows:

WPM

	2001	2000
	HK$'000	*HK$'000*
Turnover	**276,764**	275,326
Net profit for the year	**65,856**	56,708
Fixed assets	**97,550**	117,714
Other non-current assets	**99,552**	106,120
Current assets	**122,327**	131,956
Current liabilities	**170,658**	213,728

Winky (including Donglong)

	2001
	HK$'000
Turnover	16,381
Net loss for the year	5,750
Fixed assets	434
Other non-current assets*	157,014
Current assets	26,338
Current liabilities	89,851
Non-current liabilities	4,673

18. INTERESTS IN JOINTLY-CONTROLLED ENTITIES *(continued)*

* Included in the balance is an amount of HK$154,900,000 attributable to a piece of land in the PRC and the properties erected thereon owned by Donglong (the "Properties"). Details of the Properties are as follows:

Location	Occupancy	Tenure	Percentage of interest attributable to the Group
A parcel of land and various buildings and structures erected thereon – Dong Long Century Garden Wu Chang District, Wuhan, Hubei Province, the PRC	Vacant	Long term lease	28

According to a valuation performed by RHL, the open market value of the Properties amounted to HK$154,900,000 as at 31 December 2001.

19. INTERESTS IN ASSOCIATES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Share of net assets	**216**	2,412

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

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation/ operations	Nominal value of issued ordinary share capital	Percentage of equity attributable to the Group	Principal activities
E-Business Logistics Limited	Corporate	British Virgin Islands/ Hong Kong	US$101,010	40	Investment holding
LKS Holding Limited	Corporate	British Virgin Islands/ Hong Kong	US$2	50	Dormant
Store2Store Limited	Corporate	Hong Kong	HK$10,000	40	Dormant

20. INVESTMENT SECURITIES

	Group	
	2001	2000
	HK$'000	*HK$'000*
Unlisted equity investments, at cost		
– in Hong Kong	**178**	–
– outside Hong Kong	**9,580**	9,580
	9,758	9,580

21. PROPERTIES CONTRACTED FOR SALE

The balance represents properties pre-sold in prior years which were under legal disputes with the purchasers. The sales and profits attributable to these properties have not been recognised in the Group's financial statements and the deposits received were recorded as "Customer deposits received" as further detailed in notes 29 and 38 to the financial statements.

22. PROPERTIES HELD FOR SALE

The balance represents properties pre-sold in prior years, which were completed during the year ended 31 December 1998, but for which the balance of the sale consideration had not yet been received and the legal completion of the respective sale and purchase agreements has not yet been effected. The Group has, in accordance with the sale and purchase agreements and based on an opinion from a PRC lawyer, seized the pre-sale deposits received. Certain of such properties were sold or leased out during the year. Properties under operating lease arrangements with tenants were transferred to investment properties and were stated at director's valuation as detailed in note 15 to the financial statements.

23. CONSTRUCTION CONTRACTS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Gross amount due from contract customers	**31,962**	32,901
Gross amount due to contract customers	**–**	(1,864)
	31,962	31,037
Contract costs incurred plus recognised profits less recognised losses to date	**93,986**	49,111
Less: Progress billings	**(62,024)**	(18,074)
	31,962	31,037

As at 31 December 2001, retentions held by customers for contract works, as included in accounts receivable and amounts due from contract customers under current assets, amounted to approximately HK$6,186,000 (2000: HK$178,000).

24. ACCOUNTS RECEIVABLE

An aged analysis of the Group's accounts receivable as at the balance sheet date, based on invoice date and net of provision, is as follows:

	2001	2000
	HK$'000	*HK$'000*
Current	**9,352**	7,835
One month	**–**	3,558
Two to three months	**193**	6,745
Three months and more	**17,585**	75,016
	27,130	93,154

Receivables from construction contracts and the sale of properties are predetermined in accordance with the provisions of relevant agreements and are contractually payable to the Group within a specified period.

Trading with customers is largely on credit, except for new customers where payment in advance is normally required. Invoices are normally payable within one month of issuance, where the terms are extended to six months. Each customer has a maximum credit limit, which is granted and approved by senior management. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are regularly reviewed by senior management.

25. BALANCES WITH JOINT VENTURERS

Included in the amounts due from joint venturers as at 31 December 2001 is an amount of HK$23,282,000 advanced to a shareholder of Winky, a jointly-controlled entity of the Group, which is secured by 23% of the equity shares of Winky, bears interest at 10% per annum and is repayable on or before 30 October 2002.

The loan from a joint venturer of HK$233,391,000 (2000: HK$213,147,000) is unsecured, bears interest at rates ranging from 6.44% to 7.39% per annum and is repayable after 31 December 2003.

Save as disclosed above, other balances with joint venturers are unsecured, interest-free and have no fixed terms of repayment.

26. OTHER INVESTMENTS

	Group	
	2001	2000
	HK$'000	*HK$'000*
Listed equity investment in Hong Kong, at market value	**1,470**	–
Unlisted investment fund	**2,768**	–
	4,238	–

As at 31 December 2001, the unlisted investment fund was pledged as security for the Group's bank loans *(note 31)*.

27. PLEDGED BANK DEPOSITS

As at 31 December 2001, the Group's pledged bank deposits were pledged as security for bank overdrafts, trust receipt loans and other undrawn banking facilities.

28. ACCOUNTS PAYABLE

An aged analysis of the Group's accounts payable as at the balance sheet date, based on invoice date, is as follows:

	2001	2000
	HK$'000	*HK$'000*
Current	**377**	628
One month	**–**	5,930
Two to three months	**768**	2,636
Three months and more	**5,679**	7,985
	6,824	17,179

29. CUSTOMER DEPOSITS RECEIVED

Customer deposits received represent unearned deposits received on properties pre-sold in prior years which were under legal disputes as at the date of this report, further details of which are set out in note 38 to the financial statements.

30. INTEREST-BEARING BANK AND OTHER BORROWINGS

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Bank overdrafts, secured	**10,961**	6,326	**–**	–
Bank loans:				
Secured	**48,307**	4,392	**40,000**	–
Unsecured	**20,701**	20,094	**–**	–
	69,008	24,486	**40,000**	–
Trust receipt loans:				
Secured	**4,574**	39,388	**–**	–
Other loans:				
Unsecured	**4,630**	–	**4,630**	–
	89,173	70,200	**44,630**	–
Bank overdrafts repayable within one year or on demand	**10,961**	6,326	**–**	–
Bank loans repayable:				
Within one year or on demand	**40,838**	24,486	**13,330**	–
In the second year	**14,530**	–	**13,330**	–
In the third to fifth years, inclusive	**13,640**	–	**13,340**	–
	69,008	24,486	**40,000**	–
Trust receipt loans repayable within one year or on demand	**4,574**	39,388	**–**	–
Other loans repayable within one year	**4,630**	–	**4,630**	–
	89,173	70,200	**44,630**	–
Portion classified as current liabilities	**(61,003)**	(70,200)	**(17,960)**	–
Non-current portion	**28,170**	–	**26,670**	–

The Group's and the Company's other loans are unsecured and bear interest at 9.5% per annum.

31. BANKING FACILITIES

As at 31 December 2001, the Group's banking facilities were secured by the following:

(a) legal charge on the Group's leasehold land and buildings situated in Hong Kong with carrying value of HK$6,500,000 *(note 14)*;

(b) bank deposits of the Group in the amount of HK$12,675,000;

(c) unlisted investment fund of the Group in the amount of HK$2,768,000 (*note 26)*;

(d) legal charge on all issued shares of IMC *(note 17)*;

(e) legal charge on the 49% joint venture rights in WPM held by the Group including all cash, dividends, distribution, bonuses, principals, interests or other monies derived from the rights in WPM *(note 18)*;

(f) corporate guarantee executed by the Company to the extent of HK$20,000,000 *(note 37)*;

(g) corporate guarantee executed by a jointly-controlled entity; and

(h) corporate guarantee executed by a joint venturer.

32. SHARE CAPITAL

Shares

	2001	2000
	HK$'000	*HK$'000*
Authorised:		
1,000,000,000 ordinary shares of HK$0.10 each	**100,000**	100,000
Issued and fully paid:		
299,208,200 (2000: 300,000,200) ordinary shares of HK$0.10 each	**29,921**	30,000

On 4 and 5 October 2001, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 792,000 shares of the Company at a total consideration of approximately HK$458,000, all of which were cancelled accordingly.

The premium of HK$379,000 on the shares repurchased, being the difference between the total cost of HK$458,000 and the aggregate amount of HK$79,000 being the nominal value of the 792,000 shares repurchased, was deducted from the share premium account of the Company.

Share options

The Company operates a share option scheme (the "Scheme"), further details of which are set out under the heading "Share option scheme" in the Report of the Directors.

At the beginning of the year, there were 15,000,000 share options outstanding under the Scheme, which entitled the holders to subscribe for shares of the Company at any time during the period from 15 August 2000 to 14 August 2002. The subscription price payable upon the exercise of these options is HK$1.02, subject to adjustment. No share option was exercised during the year. The exercise in full of such share options would, under the present capital structure of the Company, result in the issue of 15,000,000 additional shares of HK$0.10 each with proceeds of approximately HK$15,300,000.

32. SHARE CAPITAL *(continued)*

Warrants

At the beginning of the year, the Company had 29,999,800 warrants outstanding with each warrant entitles the holder to subscribe for one ordinary share of HK$0.10 each at the subscription price of HK$1.54 per share, subject to adjustment, from the date of issue to 29 June 2002. No warrant was exercised during the year. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 29,999,800 additional shares of HK$0.10 each with proceeds of approximately HK$46,200,000.

33. RESERVES

Group	Share premium account *HK$'000*	Contributed surplus *HK$'000*	Capital reserve *HK$'000*	Investment property revaluation reserve *HK$'000*	Property revaluation reserve *HK$'000*	Exchange fluctuation reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 January 2000	25,941	230	27,117	25,420	1,752	4,786	118,014	203,260
Issue of shares	1	–	–	–	–	–	–	1
Discount on acquisition of a subsidiary	–	–	2,045	–	–	–	–	2,045
Deficits on revaluation	–	–	–	(7,649)	(600)	–	–	(8,249)
Transfer of properties	–	–	–	(820)	820	–	–	–
Revaluation reserve released on disposal of investment properties	–	–	–	(1,107)	–	–	–	(1,107)
Net loss for the year	–	–	–	–	–	–	(46,051)	(46,051)
Appropriation of reserves of a subsidiary	–	–	17	–	–	–	(17)	–
At 31 December 2000	25,942	230	29,179	15,844	1,972	4,786	71,946	149,899
Reserves retained by:								
Company and subsidiaries	25,942	230	27,431	15,844	1,972	4,786	83,590	159,795
A jointly-controlled entity	–	–	1,748	–	–	–	(11,652)	(9,904)
An associate	–	–	–	–	–	–	8	8
	25,942	230	29,179	15,844	1,972	4,786	71,946	149,899

33. RESERVES *(continued)*

Group	Share premium account	Contributed surplus	Capital reserve*	Investment property revaluation reserve	Property revaluation reserve	Exchange fluctuation reserve	Retained profits	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2001	25,942	230	29,179	15,844	1,972	4,786	71,946	149,899
Arising on repurchase of shares – *note 32*	(379)	–	–	–	–	–	–	(379)
Deficits on revaluation – *notes 14 and 15*	–	–	–	(15,133)	(1,972)	–	–	(17,105)
Revaluation reserve released on disposal of investment properties	–	–	–	(711)	–	–	–	(711)
Net profit for the year	–	–	–	–	–	–	1,379	1,379
Dividends – *note 12*	–	–	–	–	–	–	(2,992)	(2,992)
Appropriation of reserves of a subsidiary	–	–	1	–	–	–	(1)	–
At 31 December 2001	25,563	230	29,180	–	–	4,786	70,332	130,091
Reserves retained by:								
Company and subsidiaries	25,563	230	27,432	–	–	4,786	81,720	139,731
Jointly-controlled entities	–	–	1,748	–	–	–	(9,200)	(7,452)
Associates	–	–	–	–	–	–	(2,188)	(2,188)
	25,563	230	29,180	–	–	4,786	70,332	130,091

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

The amounts of the goodwill and negative goodwill remaining in capital reserve, arising from the acquisition of subsidiaries, are HK$1,353,000 and HK$19,545,000, respectively, as at 1 January and 31 December 2001. The amount of goodwill is stated at its cost which arose in prior years.

33. RESERVES *(continued)*

Company	**Share premium account** *HK$'000*	**Contributed surplus** *HK$'000*	**Retained profits/ (accumulated losses)** *HK$'000*	**Total** *HK$'000*
At 1 January 2000:				
As previously reported	25,941	181,919	444	208,304
Prior year adjustment:				
SSAP 18 *(Revised)* –				
Proposed final dividends for 1999 from subsidiaries no longer recognised as income for the year	–	–	(14,000)	(14,000)
As restated	25,941	181,919	(13,556)	194,304
New issue of shares	1	–	–	1
Net loss for the year (as restated)	–	–	(44,406)	(44,406)
At 31 December 2000 and 1 January 2001	25,942	181,919	(57,962)	149,899
Arising on repurchase of shares – *note 32*	(379)	–	–	(379)
Net loss for the year	–	–	(16,437)	(16,437)
Dividend	–	(2,992)	–	(2,992)
At 31 December 2001	25,563	178,927	(74,399)	130,091

The contributed surplus of the Group represents the difference between the nominal value of the share capital of the subsidiaries acquired pursuant to the Group reorganisation on 10 November 1999, over the nominal value of the Company's shares issued in exchange therefor.

The contributed surplus of the Company represents the excess of the fair value of the shares of the subsidiaries acquired pursuant to the same reorganisation, over the nominal value of the Company's shares issued in exchange therefor.

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Reconciliation of loss from operating activities to net cash inflow/(outflow) from operating activities

	2001	2000
	HK$'000	*HK$'000*
Loss from operating activities	**(32,523)**	(75,181)
Interest income	**(1,504)**	(1,413)
Revaluation deficit on leasehold land and buildings	**123**	557
Impairment of properties contracted/held for sale	**16,163**	–
Provision for foreseeable losses on construction contracts	**–**	49,469
Provision against doubtful debts	**902**	7,276
Depreciation	**3,071**	2,977
Write-off of fixed assets	**112**	–
Loss/(gain) on disposal of fixed assets	**(211)**	53
Loss/(gain) on disposal of investment properties	**1,267**	(750)
Gain on disposal of subsidiaries	**(7,306)**	(1,212)
Unrealised loss on revaluation of other investments	**2,766**	–
Increase in properties under development	**(300)**	(12)
Decrease/(increase) in amount due from jointly-controlled entities	**(21,277)**	16,741
Increase in amount due from associates	**(2,161)**	–
Decrease in properties contracted/held for sale	**9,331**	8,094
Decrease/(increase) in amounts due from contract customers	**939**	(23,754)
Decrease in accounts receivable	**52,345**	15,519
Decrease/(increase) in prepayments, deposits and other receivables	**(23,708)**	6,516
Decrease/(increase) in amounts due from joint venturers	**(171)**	262
Increase/(decrease) in amounts due to contract customers	**(1,864)**	1,409
Decrease in accounts payable	**(5,824)**	(1,002)
Increase in accruals and other payables	**6,928**	12,824
Decrease in customer deposit received	**(145)**	(7,188)
Decrease in an amount due to a joint venturer	**(5,979)**	(2,566)
Net cash inflow/(outflow) from operating activities	**(9,026)**	8,619

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(b) Analysis of changes in financing during the year

	Issued capital (including share premium account) HK$'000	Loan from a joint venturer HK$'000	Loan from a jointly-controlled entity HK$'000	Bank loans with original maturity over three months HK$'000	Other loans HK$'000	Minority interests HK$'000
Balance at 1 January 2000	55,941	182,186	139,588	–	–	81,652
Cash inflow/(outflow) from financing activities, net	1	30,961	(35,474)	–	–	300
Share of revaluation deficit during the year	–	–	–	–	–	(540)
Share of loss after tax of subsidiaries	–	–	–	–	–	(27,470)
Dividends paid to minority shareholders	–	–	–	–	–	(70)
Interests in subsidiaries acquired from a minority shareholder	–	–	–	–	–	(2,148)
Balance at 31 December 2000 and 1 January 2001	55,942	213,147	104,114	–	–	51,724
Cash inflow/(outflow) from financing activities, net	(458)	20,244	(25,244)	55,457	4,630	–
Share of loss after tax of subsidiaries	–	–	–	–	–	(31,486)
Disposal of subsidiaries	–	–	–	–	–	(1,337)
Balance at 31 December 2001	55,484	233,391	78,870	55,457	4,630	18,901

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Disposal of subsidiaries

	2001 *HK$'000*	2000 *HK$'000*
Net assets disposed of:		
Fixed assets	115	127
Cash and bank balances	209	408
Pledged bank deposits	7,800	–
Accounts receivable	12,777	3,981
Prepayments, deposits and other receivables	641	300
Interest-bearing bank borrowings	(9,627)	–
Due to a subsidiary	(2,500)	–
Tax payable	(18)	–
Accounts payable	(4,531)	(2,517)
Accruals and other payables	(657)	(3,511)
Minority interests	(1,337)	–
	2,872	(1,212)
Gain on disposal of subsidiaries	7,306	1,212
	10,178	–
Satisfied by:		
Cash	6,000	–
Other investments	4,000	–
Investment securities	178	–
	10,178	–

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

	2001 *HK$'000*	2000 *HK$'000*
Cash consideration	6,000	–
Cash and bank balances disposed of	(209)	(408)
Pledged bank deposits disposed of	(7,800)	–
Interest-bearing bank borrowings disposed of	9,627	–
Net inflow/(outflow) of cash and cash equivalents in respect of the disposal of subsidiaries	7,618	(408)

34. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT *(continued)*

(c) Disposal of subsidiaries *(continued)*

For the year ended 31 December 2001, the subsidiaries disposed of contributed HK$8,062,000 to the Group's net cash inflow from operating activities, but had no significant impact in respect of the Group's investing activities, returns on investments and servicing of finance, tax and financing activities. The subsidiaries disposed of during the year also contributed HK$20,712,000 and HK$5,215,000 to the Group's turnover and consolidated profit from operating activities, respectively.

The subsidiaries disposed of during the year ended 31 December 2000 made no significant contribution to the Group in respect of the cash flows, turnover or contribution to the consolidated profit after tax for that year.

35. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases its investment properties (note 15 to the financial statements) under operating lease arrangements, with leases negotiated for terms ranging from 1 to 10 years. The terms of the leases generally also require the tenants to pay security deposits.

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	
	2001	2000
	HK$'000	*HK$'000*
Within one year	**5,636**	6,709
In the second to fifth years, inclusive	**4,990**	5,396
After five years	**2,180**	3,327
	12,806	15,432

35. OPERATING LEASE ARRANGEMENTS *(continued)*

(b) As lessee

The Group leases certain of its office properties and construction equipment under operating lease arrangements. Leases for properties are negotiated for terms ranging from 3 to 6 years, and those for construction equipment for terms ranging between 2 and 5 years. The terms of the leases generally require the Group to pay security deposits.

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

	Group		Company	
	2001	2000	**2001**	2000
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(Restated)		(Restated)
Within one year	**2,299**	1,859	**–**	–
In the second to fifth years, inclusive	**3,294**	432	**–**	–
	5,593	2,291	**–**	–

SSAP 14 (Revised), which was adopted during the year, requires lessors under operating leases to disclose the total future minimum operating lease receivables under non-cancellable operating leases, as detailed in note (a) 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 as lessee in note (b) above have been restated to accord with the current year's presentation.

36. COMMITMENTS

In addition to the operating lease commitments detailed in note 35(b) above, the Group had the following capital commitments at the balance sheet date:

	2001	2000
	HK$'000	*HK$'000*
Capital commitments in respect of investment in a subsidiary contracted, but not provided for	**3,000**	–

In addition, the Group's shares of the jointly-controlled entities' own capital commitments which are not included above are as follows:

	2001	2000
	HK$'000	*HK$'000*
Capital commitments in respect of property development projects contracted, but not provided for	**4,853**	–

At the balance sheet date, the Company did not have any significant commitments.

37. CONTINGENT LIABILITIES

As at 31 December 2001, the Group and the Company had the following contingent liabilities:

(a) Guarantee to the extent of approximately HK$11,868,000 (2000: HK$22,734,000) was given by the Group to certain banks for mortgage loan facilities granted by the banks to the buyers of the properties developed by the Group;

(b) Guarantee to the extent of HK$6,000,000 (with HK$3,000,000 for each year after the disposal date) was executed by the Company in favour of the buyer of 66% equity interest in South Field, for any shortfall in the net profit of South Field below HK$5,000,000 during each of the two years after the disposal date; and

(c) Corporate guarantee of HK$20,000,000 was executed by the Company for banking facilities granted to the Group, which were utilised to the extent of HK$18,200,000 at the balance sheet date (note 31).

38. LITIGATION

During 1997, buyers of certain pre-sold units of the Group's properties under development alleged that the Group had breached certain terms of the relevant property sale and purchase agreements and, as a result, claimed against the Group for, inter alia, a refund of the pre-sale deposits paid, legal expenses incurred and any other resulting financial loss. Based on legal advice from the Group's lawyer, the directors were of the opinion that such claims were unfounded and the Group had strong grounds for defending the claims and had thus proceeded to defend them vigorously.

Judgements in respect of most of the above claims have been awarded in favour of the Group. However, the plaintiffs have filed applications to appeal to a higher court and the appeal proceedings were still in progress as at the date of this report. Based on legal advice from the Group's lawyer, the directors are of the opinion that the Group has a good chance of success in the appeal proceedings. Accordingly, no provision has been made by the Group in respect of such claims.

The sales and profits attributable to the above properties have not been recognised in the Group's financial statements. The carrying value of such pre-sold units of HK$46,610,000 (2000: HK$57,109,000) and the respective deposits received of HK$16,783,000 (2000: HK$16,928,000) are recorded as "Properties contracted for sale" and "Customer deposits received" in the consolidated balance sheet, respectively.

39. CONNECTED AND RELATED PARTY TRANSACTIONS

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

	Notes	**2001** **HK$'000**	2000 HK$'000
Rental income from a joint venturer	*(i)*	**1,247**	1,247
Interest expense paid to a jointly-controlled entity	*(ii)*	**4,986**	4,583
Interest expense paid to a joint venturer	*(ii)*	**14,400**	15,753

Notes:

(i) The rental income related to an investment property which was let to Wuhan Department Store Group Company Limited ("WDSG"), a joint venturer of the Group, as office premises pursuant to a rental agreement entered into between WDSG and WHRED, a subsidiary of the Company, on 31 August 1998. The monthly rental of HK$104,000 (2000: HK$104,000) was determined with reference to the then prevailing open market rentals.

39. CONNECTED AND RELATED PARTY TRANSACTIONS *(continued)*

(ii) Interest was paid to WPM, a jointly-controlled entity of the Group, and WDSG, a joint venturer of the Group, pursuant to certain agreements dated 6 July 1999 entered into between WHRED, a 51%-owned subsidiary of the Company, and WPM; and WHRED and WDSG, respectively, further details of which, including the terms thereof, are set out in notes 18 and 25 to the financial statements, respectively.

The related party transactions set out in notes (i) and (ii) above, together with the transactions set out below, also constituted connected transactions disclosable in the Company's annual financial statements, as required by the Listing Rules.

(a) Pursuant to a rental agreement dated 31 August 1998 for the lease of office premises entered into between WHRED, a 51%-owned subsidiary of the Company, and Hudson-China, a wholly-owned subsidiary of the Company, WHRED received rental income of HK$406,000 (2000: HK$406,000) from Hudson-China.

(b) Pursuant to a rental agreement dated 31 August 1998 for the lease of office premises entered into between WHRED and WHML, a 51%-owned subsidiary of the Company, WHRED received rental income of HK$406,000 (2000: HK$406,000) from WHML.

The above intra-group rental income and expenses have been eliminated on consolidation.

The independent non-executive directors of the Company have reviewed and confirmed that all the above connected transactions were: (i) in the ordinary and usual course of the Group's business; (ii) in accordance with the terms of the agreements governing the transactions; and (iii) were fair and reasonable so far as the shareholders of the Company are concerned.

40. POST BALANCE SHEET EVENT

Subsequent to the balance sheet date, on 22 March 2002, the Group was granted a standby credit facility of HK$70 million by one of its jointly-controlled entities.

41. COMPARATIVE AMOUNTS

As further explained in note 2 to the financial statements, due to the adoption of certain new and revised SSAPs during the current year, the accounting treatment and presentation of certain items and balances in the financial statements have been revised to comply with the new requirements. Accordingly, certain prior year adjustments have been made and certain comparative amounts have been reclassified to conform with the current year's presentation.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 April 2002.