

1. CORPORATE INFORMATION

During the year, the Group was involved in:

- property development
- property investment
- strategic investments, rental and finance
- the distribution of petroleum products
- the manufacture and sale of watches
- the manufacture and sale of telecommunications products

In the opinion of the directors, the ultimate holding company is U.S. Concord (Holding) Limited, which is incorporated in Hong Kong.

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”

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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 adopting these SSAPs and Interpretations, 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. SSAP 9 (Revised) has had no major impact on these 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. Certain amendments have been made to the previous accounting measurement treatments, which may be accounted for retrospectively or prospectively, in accordance with the requirements of the SSAP. The revised SSAP requirements have not had a material effect on the amounts previously recorded in the financial statements, therefore no prior year adjustment has been 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 38 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. SSAP 18 (Revised) has had no major impact on 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 28 prescribes the recognition criteria and measurement bases to apply to provisions, contingent liabilities and contingent assets, together with the required disclosures in respect thereof. The principal impact of this SSAP on these financial statements is the requirement to discount the amounts of provisions to their present value at the balance sheet date, where the effect of discounting is material. SSAP 28 has had no major impact on these financial statements.

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

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 were deducted from the cost of the relevant asset. This disclosure reclassification has had no effect on the net carrying amount of intangible assets in the balance sheet.

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 balance sheet. It requires that goodwill is amortised to the profit and loss account over its estimated useful life. Negative goodwill is recognised in the 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 reserves. The adoption of the SSAP and Interpretation has resulted in a prior year adjustment, further details of which are included in notes 17 and 19 to the financial statements. The required new additional disclosures are included in notes 17, 19 and 34 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”
- SSAP 21: “Accounting for interests in joint ventures”

The revisions on SSAPs 10, 17 and 21 have no significant impact on the preparation of these financial statements.

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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 requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for the periodic remeasurement of properties under development to be held for investment purposes upon completion, investment properties and short term 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, other than a jointly-controlled entity, in which the Group, 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.

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 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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint venture companies (continued)

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 Company does not have unilateral control, but has joint control over the joint venture company;
- (c) an associate, if the Company does not have unilateral or joint control, but holds generally not less than 20% of the joint venture company's registered capital and is in a position to exercise significant influence over the joint venture company; or
- (d) a long term investment, if the Company holds less than 20% of the joint venture company's registered capital and has neither joint control of, 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, 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. Where the profit sharing ratio is different to the Group's equity interest, the share of post-acquisition results of the jointly-controlled entities is determined based on the agreed profit sharing ratio. 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. Goodwill or negative goodwill arising from the acquisition of jointly-controlled entities, which was not previously eliminated or recognised in reserves, is included as part of the Group's interests in jointly-controlled entities.

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

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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 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.

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 balance sheet as an asset and amortised on the straight-line basis over its estimated useful life. 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 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 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 reserves 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)

Goodwill (continued)

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.

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 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 profit and loss account on a systematic basis as follows:

- on investment properties: over 20 years on a straight-line basis.
- on properties under development
held for sale/properties held for sale: in accordance with the accounting policy "Profit on sale of properties under development"
- on properties under development
to be held for investment proposes: no amortisation of negative goodwill until transferred to investment properties

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 profit and loss account is included in the carrying amount thereof, rather than as a separately identified item on the consolidated balance sheet.

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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 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.

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.

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fixed assets and depreciation

Fixed assets, other than investment properties, are stated at cost 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.

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

Leasehold land	Over the lease terms or 50 years, whichever is shorter
Leasehold buildings	2.5% – 5%
Plant, machinery and moulds	20% – 50%
Furniture, fixtures and office equipment	10% – 50%
Motor vehicles	10% – 35%

Freehold land is not depreciated. Improvements to leasehold buildings are depreciated over the shorter of the lease terms and the rate of 5% per annum.

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.

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 amount by which the deficit exceeds 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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Properties under development

Properties under development held for sale are stated at cost, plus, in the case of pre-sold properties or portions thereof, any attributable profits received on contracted sales, less any provisions for foreseeable losses deemed necessary by the directors. Cost includes the cost of land, construction, financing and other related expenses.

Properties under development to be held for investment purposes upon completion are stated at valuation. Movements in the values of these properties under development are dealt with in the properties under development revaluation reserve, unless the reserve for each such property is insufficient to cover a deficit on an individual basis, in which case the amount by which the deficit exceeds the amount in the properties under development revaluation reserve is charged to the profit and loss account.

Properties under development held for sale in respect of which occupation permits are expected to be granted within one year from the balance sheet date are included as property held for sale in current assets at the lower of cost and net realisable value. Cost includes all development expenditure, applicable borrowing costs and other direct costs attributable to such properties. Net realisable value is determined by reference to prevailing market prices on an individual property basis.

Profit on sale of properties under development

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 the pre-sold portion of the properties is calculated by reference to the proportion of construction costs incurred up to the accounting date as compared to the estimated total construction costs to completion, limited to non-refundable cash deposits received. No profit is recognised until the construction work has progressed to the stage where the eventual completion of the project, and the estimated profit thereon, can be determined with a reasonable degree of certainty.

The profit or loss arising from the outright sale of an interest in an entire development prior to completion is recognised when a binding contract becomes unconditional.

Mortgages and unsecured loans receivable

Mortgages and unsecured loans receivable are carried at amounts advanced less principal repayments received and any provisions deemed necessary by the directors.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e. 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. The 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. Where funds have been borrowed generally, and used for the purpose of obtaining qualifying assets, a capitalisation rate adopted is based on the respective weighted average costs of the related borrowings.

All other borrowing costs are expensed in the period in which they are incurred.

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 for strategic business reasons and are stated at cost less any provisions for impairment in value, other than those considered to be temporary in nature, which are considered necessary by the directors, on an individual basis.

Short term investments

Short term investments are investments in equity securities held for trading purposes. Listed short term investments 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 short term investments are stated at their fair values, as determined by the directors, 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.

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.

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis and, in the case of work in progress and finished goods, comprises direct materials, direct labour and an appropriate proportion of overheads. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

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 amount arising from the passage of time is included in finance costs in the profit and loss account.

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.

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.

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 all of its employees. 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.

Prior to the MPF Scheme becoming effective, the Group operated a defined contribution retirement benefits scheme (the “prior scheme”) for those employees who were eligible to participate in this scheme. This prior scheme operated in a similar way to the MPF Scheme, except that when an employee left the prior scheme before his/her interest in the Group’s employer contributions vested fully, the ongoing contributions payable by the Group were reduced by the relevant amount of the forfeited employer’s contributions. With effect from 1 December 2000, the prior scheme was terminated.

The employees of the Group’s subsidiary which operates in the PRC are required to participate in a central pension scheme operated by the local municipal government.

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 goods and investment properties, 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 or properties sold;
- (b) from the sale of properties under development, on the percentage of completion basis as explained under “Profit on sale of properties under development”;
- (c) from the rendering of services, based on the stage of completion of the transaction, provided that this and the costs incurred as well as the estimated costs to completion can be measured reliably. The stage of completion of a transaction associated with the rendering of services is established by reference to the costs incurred to date as compared to the total costs to be incurred under the transaction;

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3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition (continued)

- (d) rental income, on a time proportion basis over the lease terms; and
- (e) interest income, on a time proportion basis taking into account the principal outstanding and the effective interest rate applicable.

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, cash and bank balances represent assets which are not restricted as to use.

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.

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 telecommunications segment engages in the manufacture and sale of telecommunications products;
- b) the property segment engages in the development of commercial/residential properties and the investment in commercial properties for their rental potential;
- c) the consumer products segment engages in the distribution of petroleum products, the manufacture and sale of watches; and
- d) the corporate and other segment comprises the Group's management services, strategic investments, treasury functions and other administrative services.

In determining the Group's geographical segments, revenue 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.

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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

	Telecommunications		Property		Consumer products		Corporate and Other		Eliminations		Consolidated	
	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
												(Restated)
Segment revenue:												
Sales to external customers	2,507	30,064	254,175	133,248	18,800	14,439	-	-	-	-	275,482	177,751
Intersegment sales	-	-	-	-	71	-	-	-	(71)	-	-	-
Other revenue	7,434	49,532	18,781	34,290	8,346	27,982	22,192	29,237	(20,933)	(4,249)	35,820	136,792
Total	9,941	79,596	272,956	167,538	27,217	42,421	22,192	29,237	(21,004)	(4,249)	311,302	314,543
Segment results	(28,963)	12,007	146,683	84,372	13,038	14,775	(28,236)	(2,108,267)	-	(3,160)	102,522	(2,000,273)
Interest income											18,624	16,120
Profit/(loss) from operating activities											121,146	(1,984,153)
Finance costs											(22,024)	(33,803)
Share of profits and losses of:												
Jointly-controlled entities	-	-	-	256,976	-	-	-	-	-	-	-	256,976
Associates	-	-	10,898	2,135	4,817	1,561	-	-	-	-	15,715	3,696
Profit/(loss) before tax											114,837	(1,757,284)
Tax											(3,466)	(17,677)
Profit/(loss) before minority interests											111,371	(1,774,961)
Minority interests											9,285	(67,478)
Net profit/(loss) from ordinary activities attributable to shareholders											120,656	(1,842,439)

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4. SEGMENT INFORMATION (continued)

(a) Business segments (continued)

Group

	Telecommunications		Property		Consumer products		Corporate and Other		Eliminations		Consolidated	
	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
												(Restated)
Segment assets	67,244	103,748	8,373,445	7,829,530	132,891	125,743	204,773	281,783	-	(3,160)	8,778,353	8,337,644
Interests in associates	2,028	2,027	1,329,352	1,210,961	49,619	64,938	23,624	27,885	-	-	1,404,623	1,305,811
Total assets											10,182,976	9,643,455
Segment liabilities	15,936	61,289	3,611,904	2,520,754	4,012	11,890	450,947	452,621	-	-	4,082,799	3,046,554
Total liabilities											4,082,799	3,046,554
Other segment information:												
Depreciation and amortisation	546	642	3,511	2,968	842	1,215	1,383	1,685	-	-	6,282	6,510
Impairment losses recognised in the profit and loss account	-	-	-	-	-	-	1,283	1,949,909	-	-	1,283	1,949,909
											7,565	1,956,419
Capital expenditure	154	45	2,932	6,501	30	77	156	216	-	-	3,272	6,839

Notes to Financial Statements

31 December 2001

4. SEGMENT INFORMATION (continued)

(b) Geographical segments

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

Group	Hong Kong		Elsewhere in the PRC		Thailand		Corporate and Other		Eliminations		Consolidated	
	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
												(Restated)
Segment revenue:												
Sales to external customers	7,893	33,878	267,589	143,873	-	-	-	-	-	-	275,482	177,751
Segment results*	(29,496)	20,141	160,254	199,514	-	(108,501)	(28,236)	(2,108,267)	-	(3,160)	102,522	(2,000,273)
Other segment information:												
Segment assets	2,078,895	2,611,157	6,494,685	5,447,864	-	-	204,773	281,783	-	(3,160)	8,778,353	8,337,644
Capital expenditure	3,116	-	-	6,623	-	-	156	216	-	-	3,272	6,839

* Disclosed pursuant to the requirements of the Listing Rules.

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5. TURNOVER, REVENUE AND GAINS

Turnover represents the net invoiced value of goods or properties sold and services rendered during the year, and gross rental income, but excludes intra-group transactions.

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Turnover		
Sale of goods	19,427	23,562
Rendering of services	3,774	20,941
Sale of properties	224,163	123,075
Gross rental income	28,118	10,173
	275,482	177,751
Other revenue		
Interest income	18,624	16,120
Management fee income	650	–
Loan waived by the lender	–	42,434
Subcontracting fee income	–	11,310
Others	22,884	68,703
	42,158	138,567
Gains		
Gain on disposal of subsidiaries	–	14,345
Negative goodwill recognised	12,286	–
	12,286	14,345
Other revenue and gains	54,444	152,912
	329,926	330,663

Notes to Financial Statements

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6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES

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

	2001 HK\$'000	2000 HK\$'000 (Restated)
Interest income from:		
Bank deposits	9,031	13,658
Others	9,593	2,462
	18,624	16,120
Gross rental income	28,118	10,173
Less: Outgoings	(838)	(817)
Net rental income	27,280	9,356
Exchange gains	–	76,942
Less: Amount capitalised	–	(68,974)
Net exchange gains	–	7,968
Gain on disposal of subsidiaries	95,008	14,345
Negative goodwill recognised as income during the year*	12,286	–

Notes to Financial Statements

31 December 2001

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (continued)

	2001 HK\$'000	2000 HK\$'000 (Restated)
and after charging:		
Cost of inventories sold	10,654	26,390
Cost of services provided	745	–
Cost of properties sold (excluding negative goodwill realised)	94,084	69,513
Reversal of overprovision for construction costs included in cost of sales	(40,028)	–
Depreciation	6,282	6,510
Less: Amount capitalised	(272)	(493)
Net depreciation	6,010	6,017
Goodwill:		
Impairment arising during the year	1,283	1,949,909
Exchange losses	231	5,138
Less: Amount capitalised	(5)	–
Net exchange losses	226	5,138
Auditors' remuneration		
Current year	3,000	2,855
Prior year underprovision	550	750
	3,550	3,605
Staff costs: (including directors' remuneration (note 8))		
Pension contributions**	495	115
Wages and salaries	30,570	33,532
Other benefits	754	1,242
	31,819	34,889
Less: Amount capitalised	(26,201)	(7,715)
Total staff costs	5,618	27,174
Minimum lease payments under operating leases on land and buildings	4,003	5,686
Less: Amount capitalised	(2,719)	(2,900)
Net minimum lease payments under operating lease on land and buildings	1,284	2,786
Loss on disposal of fixed assets	127	2,329
Provision for impairment in fair values of short term listed investments	66	377
Subcontracting fees payable to the PRC joint venture partners	–	1,131
Provision for impairment in value of long term investments	22,747	27,638
Provision for doubtful debts	64,768	49,625
Loss on reorganisation of department store operations	–	9,533
Provision for impairment of interest in an associate	–	108,501
Amortisation of issuing costs for bank loans	12,114	15,862

Notes to Financial Statements

31 December 2001

6. PROFIT/(LOSS) FROM OPERATING ACTIVITIES (continued)

- * The movements in negative goodwill recognised in the profit and loss account for the year are included on the face of the profit and loss account within the following:

	2001 HK\$'000	2000 HK\$'000
Cost of properties sold	30,430	—
Other revenue and gains	12,286	—
	42,716	—

The amount of negative goodwill recognised related to the negative goodwill arising on the privatisation of a publicly listed subsidiary.

- ** As 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 and overdrafts wholly repayable within five years	61,660	146,808
Interest on other loans wholly repayable within five years	85,446	54,443
Total interest	147,106	201,251
Less: Interest capitalised	(125,082)	(167,448)
	22,024	33,803

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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	—	—
Independent non-executive directors	440	605
	440	605
Executive directors:		
Salaries, allowances and benefits in kind	10,651	8,267
	11,091	8,872

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

	Number of directors	
	2001	2000
Nil – HK\$1,000,000	6	6
HK\$1,000,001 – HK\$1,500,000	1	1
HK\$1,500,001 – HK\$2,000,000	—	1
HK\$3,000,001 – HK\$3,500,000	1	—
HK\$4,500,001 – HK\$5,000,000	1	1
	9	9

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

During the year, 6,600,000 share options were granted to the directors in respect of their services to the Group, further details of which are set out under the heading "Share option scheme" in the Report of the Directors on page 21. No value in respect of the share options granted during the year has been charged to the profit and loss account.

Notes to Financial Statements

31 December 2001

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees included four (2000: Three) directors, details of whose remuneration are set out in note 8 above. The details of the remuneration of the remaining one (2000: Two) non-director, highest paid employee are set out below:

	Group	
	2001 HK\$'000	2000 HK\$'000
Salaries, allowances and benefits in kind	1,449	2,459
Performance related bonuses	400	–
	1,849	2,459

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

	Number of employees	
	2001	2000
HK\$1,000,001 – HK\$1,500,000	–	2
HK\$1,500,001 – HK\$2,000,000	1	–
	1	2

During the year, 500,000 share options were granted to the one non-directors, highest paid employee in respect of his service to the Group, further details of which are set out under the heading “Share option scheme” in the Report of the Directors on page 23. No value in respect of the share options granted during the year has been charged to the profit and loss account.

Notes to Financial Statements

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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 HK\$'000	2000 HK\$'000
Provision for profits tax in respect of the operating profit of the Company and its subsidiaries for the year		
Hong Kong		
Provision for the year	2,988	1,916
Overprovision in prior years	(23,875)	–
	(20,887)	1,916
Elsewhere		
Provision for the year	–	2
Deferred tax (note 32)	21,001	9,545
	21,001	9,547
	114	11,463
Share of tax attributable to:		
Jointly-controlled entities:		
Hong Kong	–	24,460
Deferred tax	–	(18,956)
	–	5,504
Associates:		
Hong Kong	247	615
Elsewhere	3,105	95
	3,352	710
Tax charge for the year	3,466	17,677

Notes to Financial Statements

31 December 2001

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

The net loss from ordinary activities attributable to shareholders for the year ended 31 December 2001 dealt with in the financial statements of the Company is HK\$3,341,826,000 (2000: Net profit of HK\$14,847,000).

12. DIVIDENDS

The directors do not recommend the payment of any dividend for the year (2000: Nil).

13. EARNINGS/(LOSS) PER SHARE

The calculations of basic and diluted earnings/(loss) per share are based on:

	2001 HK\$	2000 HK\$ (Restated)
Earnings:		
Net profit/(loss) attributable to shareholders, used in the basic and diluted earnings per share calculations	120,656,000	(1,842,439,000)
Shares:		
Weighted average number of ordinary shares in issue during the year used in basic earnings per share calculation	2,964,349,399	2,542,526,670
Weighted average number of ordinary shares: Assumed issued at no consideration on deemed exercise of all share options outstanding during the year	183,762	105,467
Weighted average number of ordinary shares used in diluted earnings per share calculation	2,964,533,161	2,542,632,137

Notes to Financial Statements

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14. FIXED ASSETS

Group	Leasehold land and buildings <i>HK\$'000</i>	Plant, machinery and moulds <i>HK\$'000</i>	Furniture, fixtures and office equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
Cost:					
At beginning of year	96,874	34,056	8,450	5,472	144,852
Additions	–	158	2,706	408	3,272
Transferred from investment properties - note 15	500	–	–	–	500
Disposals	–	(5,459)	(13)	–	(5,472)
At 31 December 2001	97,374	28,755	11,143	5,880	143,152
Accumulated depreciation:					
At beginning of year	11,425	23,742	4,138	2,337	41,642
Provided during the year	2,419	1,305	1,459	1,099	6,282
Disposals	–	(4,388)	(7)	–	(4,395)
At 31 December 2001	13,844	20,659	5,590	3,436	43,529
Net book value:					
At 31 December 2001	83,530	8,096	5,553	2,444	99,623
At 31 December 2000	85,449	10,314	4,312	3,135	103,210

Notes to Financial Statements

31 December 2001

14. FIXED ASSETS

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

	Group	
	2001 HK\$'000	2000 HK\$'000
Hong Kong:		
Long term leases	12,227	11,727
Medium term leases	33,764	33,764
	45,991	45,491
People's Republic of China:		
Medium term leases	51,383	51,383
	97,374	96,874

At 31 December 2001, the Group's leasehold land and buildings situated in Hong Kong with a net book value of HK\$29,863,000 (2000: HK\$31,034,000) were pledged to secure general banking facilities granted to the Group.

Company

	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:			
At beginning of year	3,685	4,194	7,879
Additions	156	—	156
At 31 December 2001	3,841	4,194	8,035
Accumulated depreciation:			
At beginning of year	3,107	2,647	5,754
Provided during the year	282	928	1,210
At 31 December 2001	3,389	3,575	6,964
Net book value:			
At 31 December 2001	452	619	1,071
At 31 December 2000	578	1,547	2,125

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15. INVESTMENT PROPERTIES

	<i>Notes</i>	Group	
		2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i>
At beginning of year		1,075,271	1,009,235
Additions, at cost		16,777	16,193
Transferred from properties held for sales		89,491	43,000
Transferred from properties under development, at valuation	16	368,131	—
Transferred to fixed assets	14	(500)	—
Disposals, at valuation		(131,777)	—
Surplus on revaluation		229,107	6,843
At end of year		1,646,500	1,075,271

The Group's investment properties at valuation are held under the following lease terms:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
People's Republic of China:		
Hong Kong (long term leases)	79,500	80,000
Elsewhere (medium term leases)	1,567,000	995,271
	1,646,500	1,075,271

The Group's investment properties were revalued individually on 31 December 2001 by Vigers Hong Kong Limited, independent professionally qualified valuer, at an aggregate open market value of HK\$1,646,500,000 based on their existing use. The investment properties are leased to third parties under operating leases, further details of which are included in note 38 to the financial statements.

At 31 December 2001, certain of the investment properties in Hong Kong and Elsewhere with carrying values of HK\$79,500,000 (2000: HK\$45,500,000) and HK\$1,327,000,000 (2000: Nil) were pledged to secure banking facilities granted to the Group (note 29).

Further particulars of the Group's investment properties are set out on page 98.

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16. PROPERTIES UNDER DEVELOPMENT

	<i>Note</i>	Group	
		2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Properties under development held for investment purposes upon completion, at valuation:			
At beginning of year		3,494,881	3,208,943
Exchange realignment		–	21,494
Additions, at cost		184,869	54,487
Surplus on revaluation		473,764	209,957
Transferred from properties under development held for sale		848,243	–
Transferred to investment properties, at valuation	15	(368,131)	–
		4,633,626	3,494,881
Properties under development held for sale, at cost:			
At beginning of year		1,896,985	1,176,566
Exchange realignment		–	12,941
Additions		858,136	458,542
Transferred from land bank assembly in progress		–	516,118
Transferred to properties under development held for investment purposes upon completion		(848,243)	–
Transferred to properties held for sale, net		(239,588)	(267,182)
		1,667,290	1,896,985
At end of year		6,300,916	5,391,866

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16. PROPERTIES UNDER DEVELOPMENT (continued)

The Group's properties under development are held under medium term leases as follows:

	2001 HK\$'000	2000 HK\$'000
Properties under development held for investment purposes upon completion, at valuation:		
People's Republic of China:		
Hong Kong	627,188	—
Elsewhere	4,006,438	3,494,881
	4,633,626	3,494,881
Properties under development held for sale, at cost:		
People's Republic of China:		
Hong Kong	710,819	1,251,065
Elsewhere	956,471	645,920
	1,667,290	1,896,985
	6,300,916	5,391,866

The Group's properties under development held for investment purpose upon completion were revalued individually on 31 December 2001 by Vigers Hong Kong Limited, independent professionally qualified valuer, at an aggregate open market value of HK\$4,633,626,000 based on their existing condition. The properties under development, which will be held as investment properties on completion, are stated at the attributable amount of such valuation.

At 31 December 2001, certain of the Group's properties under development were pledged to secure banking facilities granted to the Group (note 29).

Further particulars of the Group's properties under development are set out on pages 99 and 100.

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17. GOODWILL AND NEGATIVE GOODWILL

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the balance sheet, arising from the acquisition of subsidiaries, are as follows:

	Group	
	Goodwill	Negative goodwill
	HK\$'000	HK\$'000
Cost:		
At beginning of year	–	–
Acquisition of subsidiaries	1,283	–
On privatisation of a publicly listed subsidiary	–	(1,565,356)
At 31 December 2001	1,283	(1,565,356)
Accumulated amortisation and impairment/(recognition as income):		
At beginning of year	–	–
Amortisation provided/(recognised as income) during the year	–	(12,286)
Released to cost of properties sold	–	(30,430)
Impairment provided during the year	1,283	–
Disposal of subsidiaries	–	(22,070)
At 31 December 2001	1,283	(64,786)
Net book value:		
At 31 December 2001	–	(1,500,570)
At 31 December 2000	–	–

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 reserves or credited to the capital reserve, respectively.

Notes to Financial Statements

31 December 2001

17. GOODWILL AND NEGATIVE GOODWILL (continued)

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against reserves for impairment. As a result, the Group has recognised an impairment of part of the goodwill previously eliminated against reserves of HK\$1,248,829,000. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP 30. Because this goodwill was previously eliminated against the capital reserve (see note 34), this prior year adjustment has resulted in an increase in the capital reserve by HK\$1,248,829,000 and a decrease of the same amount in the retained profits previously reported as at 31 December 2000. This prior year adjustment has had no effect on the current year.

The amounts of goodwill and negative goodwill remaining in reserves, arising from the acquisition of subsidiaries, are HK\$44,127,000 and HK\$773,516,000, respectively, as at 1 January and 31 December 2001. The amount of remaining goodwill is stated at its cost.

18. INTERESTS IN SUBSIDIARIES

	Company	
	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	24,372	24,372
Loan to a subsidiary	45,458	45,458
Loan from subsidiaries	—	(10,000)
Amounts due from subsidiaries	12,502,554	9,446,696
Amounts due to subsidiaries	(1,004,621)	(1,151,918)
	11,567,763	8,354,608
Less: Provision for impairment	(6,509,162)	(515,346)
	5,058,601	7,839,262

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

Further particulars of the Company's principal subsidiaries as at 31 December 2001 are set out in note 43 to the financial statements.

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19. INTERESTS IN ASSOCIATES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000 (Restated)	2001 HK\$'000	2000 HK\$'000
Unlisted shares, at cost	–	–	1	1
Share of net assets	450,020	341,196	–	–
Negative goodwill on acquisition	(58,461)	–	–	–
	391,559	341,196	1	1
Amounts due from associates	1,032,219	968,234	36,227	36,227
Amounts due to associates	(19,155)	(3,619)	(51,859)	(31,873)
	1,404,623	1,305,811	(15,631)	4,355

SSAP 30 was adopted during the year, as detailed in note 2 to the financial statements. The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the balance sheet, arising from the acquisition of associates, are as follows:

	Group	
	Goodwill HK\$'000	Negative goodwill HK\$'000
Cost:		
At beginning of year	11,519	–
On privatisation of a publicly listed subsidiary	–	(62,421)
At 31 December 2001	11,519	(62,421)
Accumulated amortisation and impairment/(recognition as income):		
At beginning of year:		
As previously reported	7,815	–
Prior year adjustment	3,704	–
As restated	11,519	–
Amortisation provided/(recognised as income) during the year included in the share of profits and losses of associates	–	(3,960)
At 31 December 2001	11,519	(3,960)
Net book value:		
At 31 December 2001	–	(58,461)
At 31 December 2000	–	–

19. INTERESTS IN ASSOCIATES (continued)

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 reserves or credited to the capital reserve, respectively.

Due to the adoption of SSAP 31, the Group has adopted a policy to assess goodwill eliminated against reserves for impairment. As a result, the Group has recognised an impairment of part of the goodwill previously eliminated against reserves and included in the interest in associates of HK\$1,949,909,000 and HK\$3,704,000, respectively. This change of accounting policy has been accounted for retrospectively as a prior year adjustment in accordance with the transitional provisions of SSAP30. Because this goodwill were previously eliminated against the capital reserve or included in the interests in associates (see note 34), this prior year adjustment has resulted in an increase in the capital reserve by HK\$1,949,909,000 and a decrease of HK\$3,704,000 and HK\$1,953,613,000 in the interests in associates and retained profits, respectively, as previously reported as at 31 December 2000. This prior year adjustment has had no effect on the current year.

The amount of goodwill remaining in reserves, arising from the acquisition of associates, is HK\$93,260,000 as at 1 January and 31 December 2001. The remaining amount of goodwill is stated at its cost.

The balances with associates, except for Concord Oil (Hong Kong) Limited, are unsecured, interest-free and have no fixed terms of repayment.

The balance with Concord Oil (Hong Kong) Limited, is unsecured, bearing interest at prevailing market interest rate and has no fixed terms of repayment.

The comparative amount for 2000 has been restated by a prior year adjustment arising due to the impairment of goodwill resulting in a net debit of HK\$3,704,000 to the Group's Share of aggregate profits and losses retained by its associates for the year, and a net credit of the same amount to the interests in associates in the Group's balance sheet.

Further particulars of the Group's principal associates as at 31 December 2001 are set out in note 44 to the financial statements.

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20. MORTGAGES AND UNSECURED LOANS RECEIVABLE

	Group	
	2001 HK\$'000	2000 HK\$'000
Mortgages receivable	38,531	125,011
Unsecured loans receivable	46,902	57,311
	85,433	182,322
Portion classified as current assets	(16,887)	(12,965)
Long term portion	68,546	169,357

The mortgages are secured by second fixed legal charges on properties located in Hong Kong, bear interest at commercial rates and have various terms to maturity.

21. INVESTMENTS

Long term investments

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
At cost:				
Hong Kong listed equity investments	358,308	358,308	109,588	109,588
Provision for impairment	(322,921)	(300,174)	(90,139)	(69,692)
	35,387	58,134	19,449	39,896
At fair value:				
Unlisted equity investments	915	915	915	915
Investments in the People's Republic of China ventures	44,662	44,662	12,661	12,661
Guaranteed fund	3,851	—	3,851	—
	49,428	45,577	17,427	13,576
	84,815	103,711	36,876	53,472
Market value of listed equity investments	7,420	9,426	3,033	4,030

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21. INVESTMENTS (continued)

An amount of HK\$32,000,000 (2000: HK\$32,000,000) of the Group's investments in the People's Republic of China ventures at the balance sheet date represents the Group's 50% interest in EMEI Concord Cement Co. Ltd., which is engaged in the manufacture of cement. This investment has not been accounted for using the equity method of accounting because the Group does not have significant influence over the operations of EMEI Concord Cement Co. Ltd.

Short term investments

	Group	
	2001 HK\$'000	2000 HK\$'000
Listed equity investments, at market value:		
Hong Kong	287	353
Unlisted equity investments, at fair value	10,000	10,000
Other investments, at fair value	57,182	85,789
	67,469	96,142

22. INVENTORIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Raw materials	5,388	11,269
Work in progress	1,115	1,098
Finished goods	8,834	7,212
	15,337	19,579

The carrying amount of inventories carried at net realisable value included in the above balance was HK\$7,127,000 (2000: HK\$4,700,000) as at the balance sheet date.

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23. TRADE RECEIVABLES

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. Invoices are normally payable within 60 days of issuance, except for certain well established customers, where the terms are extended to 90 days or more. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and its credit control teams serve to minimise credit risk. Overdue balances are reviewed regularly by management.

An aged analysis of the trade receivables as at the balance sheet date, net of provisions, is as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Within 3 months	34,529	26,345
Between 4 to 6 months	1,423	3,642
Between 7 to 12 months	3,506	42,027
Over 1 year	135,697	67,671
	175,155	139,685

24. OTHER RECEIVABLES

	Group		Company	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Other debtors, deposits and prepayments	463,984	364,088	24,300	8,003

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25. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cash and bank balances	238,258	48,972	193	231
Time deposits	313,324	109,415	–	–
	551,582	158,387	193	231
Less: Pledged time deposits:				
– for bank loans	(313,324)	(61,801)	–	–
Cash and cash equivalents	238,258	96,586	193	231

Certain of the bank balances amounting to HK\$180,446,095 (2000: HK\$60,680,000) are deposited with a related company of the Group, which is a bank.

26. TRADE PAYABLES

An aged analysis of the trade payables as at the balance sheet date, based on invoice date, is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Within 3 months	110,121	134,875
Between 4 to 6 months	–	12,956
Between 7 to 12 months	8,819	5,050
Over 1 year	1,191	4,321
	120,131	157,202

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27. OTHER PAYABLES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Other payables and accruals	255,669	106,691	40,796	19,133
Amount due to a related company	4,671	4,671	4,671	4,671
	260,340	111,362	45,467	23,804

The amount due to a related company is unsecured, interest-free and is repayable on demand.

28. INTEREST-BEARING LOANS, OVERDRAFTS AND OTHER BORROWINGS

		Group		Company	
		2001	2000	2001	2000
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts:					
Secured		97,128	34,781	—	—
Unsecured		41,693	74,166	41,652	29,685
	29	138,821	108,947	41,652	29,685
Current portion of bank and other loans		1,094,298	639,957	209,145	162,160
	29	1,233,119	748,904	250,797	191,845

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29. INTEREST-BEARING BANK AND OTHER LOANS

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank overdrafts:				
Secured	97,128	34,781	–	–
Unsecured	41,693	74,166	41,652	29,685
	138,821	108,947	41,652	29,685
Bank loans:				
Secured	1,376,255	614,465	–	–
Unsecured	996,654	905,345	209,145	110,849
	2,372,909	1,519,810	209,145	110,849
Loans from related companies				
Unsecured	347,500	302,890	347,500	302,890
Other loans				
Secured	–	10,000	–	–
Unsecured	370,172	337,018	370,172	337,018
	370,172	347,018	370,172	337,018
	3,229,402	2,278,665	968,469	780,442
Bank overdrafts repayable within one year or on demand – note 28	138,821	108,947	41,652	29,685
Bank loans repayable:				
Within one year or on demand	1,094,298	467,797	209,145	–
In the second year	1,247,861	618,131	–	110,849
In the third to fifth years, inclusive	28,000	433,882	–	–
Over five years	2,750	–	–	–
	2,372,909	1,519,810	209,145	110,849

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29. INTEREST-BEARING BANK AND OTHER LOANS (continued)

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Loan from related companies repayable:				
Within one year	–	134,890	–	134,890
In the second year	347,500	168,000	347,500	168,000
	347,500	302,890	347,500	302,890
Other loans repayable:				
Within one year or on demand	–	37,270	–	27,270
In the second year	370,172	309,748	370,172	309,748
	370,172	347,018	370,172	337,018
	3,229,402	2,278,665	968,469	780,442
Portion classified as current liabilities – note 28	(1,233,119)	(748,904)	(250,797)	(191,845)
Long term portion	1,996,283	1,529,761	717,672	588,597

The Group's bank loans and overdrafts bear interest at prevailing market rates.

Certain of the bank overdraft and bank loan balances amounting to HK\$79,145,000 (2000: HK\$4,788,000) were obtained from a related company of the Group, which is a bank.

The loans from related companies, Fine Tower Associates Limited and Gain Time Holdings Limited, are unsecured and bear interest at prevailing market rates. Mr. Wong Sai Chung, a director of the Company, is a director and controlling shareholder of Fine Tower Associates Limited and Gain Time Holdings Limited.

30. AMOUNT DUE TO A RELATED COMPANY

The amount due to a related company, Concord Oil Group Limited, is unsecured, interest-free and is not repayable within twelve months from the date of approval of these financial statements. Mr. Wong Sai Chung, a director of the Company, is a director and controlling shareholder of Concord Oil Group Limited.

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31. AMOUNT DUE TO THE ULTIMATE HOLDING COMPANY

The amount due to the ultimate holding company is unsecured, interest-free and is not repayable within twelve months from the date of approval of these financial statements.

32. DEFERRED TAX

	Group	
	2001 HK\$'000	2000 HK\$'000
Balance at beginning of year	30,902	47,449
Exchange realignment	—	1,435
Charge for the year, net (note 10)	21,001	9,545
Reclassification	—	(8,571)
Release of tax indemnity	—	(18,956)
	51,903	30,902

33. SHARE CAPITAL

	Notes	Group and Company	
		Number of ordinary shares of HK\$0.10 each	Amount HK\$'000
Authorised:			
Balance at beginning of year		3,000,000,000	300,000
Increase during the year	(a)	3,000,000,000	300,000
Balance at end of year		6,000,000,000	600,000
Issued and fully paid:			
Balance at beginning of year		2,540,383,337	254,038
Issued during the year	(b)	678,202,395	67,820
Balance at end of year		3,218,585,732	321,858

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33. SHARE CAPITAL (continued)

During the year, the following movements in the authorised and issued share capital of the Company were recorded:

- (a) Pursuant to an ordinary resolution passed on 21 March 2001, the authorised share capital of the Company was increased from HK\$300,000,000 to HK\$600,000,000 by the creation of 3,000,000,000 additional shares of HK\$0.10 each, ranking pari passu in all respects with the existing share capital of the Company.
- (b) On 6 February 2001, a wholly-owned subsidiary of the Company, Camstar Capital Limited announced an offer to acquire the remaining 25% shareholding in Concord Land Development Company Limited ("Concord Land") through a voluntary conditional share exchange offer. At the extraordinary general meeting of Concord Land on 17 April 2001, a resolution for the withdrawal of the listing of all shares of Concord Land on the Hong Kong Stock Exchange was passed by a majority in number representing three-fourths in value of the Concord Land's independent shareholders. On 2 May 2001, the listing of the shares of Concord Land on the Hong Kong Stock Exchange has been withdrawn.

Accordingly, on the acceptance of the above-mentioned offer by Concord Land's independent shareholders, the Company has issued 678,202,395 new ordinary shares of HK\$0.10 each as consideration for the remaining 25% shareholding in Concord Land.

Further details of the transaction are set out in the Company's circular dated 23 March 2001.

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 on page 21.

At the beginning of the year, there were 16,984,000 options outstanding under the Scheme, which entitled the holders to subscribe for shares of the Company at any time during periods ranging from 11 June 1998 to 26 August 2004. The subscription price payable upon the exercise of these options range from HK\$0.74 to HK\$3.32, subject to adjustment.

During the year, the Company granted a total of 7,578,000 share options under the Scheme for a nominal consideration of HK\$1 in total per grant. The share options granted entitle the holders to subscribe for shares of the Company at any time during periods ranging from 28 June 2002 to 21 August 2005. The subscription prices per share payable upon the exercise of these options range from HK\$0.51 to HK\$0.68, subject to adjustment.

A total of 696,000 share options with an exercise price of HK\$3.32 lapsed and were cancelled during the year.

At the balance sheet date, the Company had 23,866,000 share options outstanding under the Scheme, with exercise periods ranging from 19 October 1999 to 21 August 2005 and exercise prices ranging from HK\$0.51 to HK\$1.09. The exercise in full of the remaining share options would, under the present capital structure of the Company, result in the issue of 23,866,000 additional shares of HK\$0.10 each and proceeds of approximately HK\$18,534,900.

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34. RESERVES

Group

	Share premium account HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Properties development revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Jointly- controlled entities and associates revaluation reserve HK\$'000	Revenue reserves* HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2000:										
As previously reported	2,166,573	(1,351,011)	7,646	360,027	426,706	29,621	8,237	(125,747)	2,418,407	3,940,459
Prior year adjustments:										
SSAP 30 – Impairment of goodwill on acquisition of:										
Subsidiaries (notes 2 and 17)	-	1,248,829	-	-	-	-	-	-	(1,248,829)	-
Associates (notes 2 and 19)	-	-	-	-	-	-	-	-	(3,865)	(3,865)
As restated	2,166,573	(102,182)	7,646	360,027	426,706	29,621	8,237	(125,747)	1,165,713	3,936,594
Bonus issue	(8,203)	-	-	-	-	-	-	-	-	(8,203)
Share options exercised	20	-	-	-	-	-	-	-	-	20
Arising from acquisition	-	2,618	-	-	-	-	-	-	-	2,618
Transfer from revaluation reserve	-	(93,260)	-	-	-	93,260	-	-	-	-
Transfer from retained profits	-	-	259	-	-	-	-	-	(259)	-
Surplus on revaluation	-	-	-	143,593	17,418	-	-	-	-	161,011
Release of revaluation surplus of jointly-controlled entities	-	-	-	-	-	(94,500)	-	-	-	(94,500)
Exchange realignments	-	-	-	-	-	-	-	(18,083)	-	(18,083)
Profit/(loss) for the year (as restated)	-	1,949,909	-	-	-	-	-	-	(1,842,439)	107,470
Premium on repurchase of the Company's shares	-	-	-	-	-	-	-	-	(1,386)	(1,386)
At 31 December 2000	2,158,390	1,757,085	7,905	503,620	444,124	28,381	8,237	(143,830)	(678,371)	4,085,541

Notes to Financial Statements

31 December 2001

34. RESERVES (continued)

Group

	Share premium account HK\$'000	Capital reserve HK\$'000	Capital redemption reserve HK\$'000	Properties under development revaluation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Associates revaluation reserve HK\$'000	Revenue reserves* HK\$'000	Exchange fluctuation reserve HK\$'000	Retained profits/ (accumulated losses) HK\$'000	Total HK\$'000
At 1 January 2001:										
As previously reported	2,158,390	(1,441,653)	7,905	503,620	444,124	28,381	8,237	(143,830)	2,524,071	4,089,245
Prior year adjustments:										
SSAP 30 – Impairment of goodwill on acquisition of:										
Subsidiaries (notes 2 and 17)	-	1,248,829	-	-	-	-	-	-	(1,248,829)	-
Associates (notes 2 and 19)	-	1,949,909	-	-	-	-	-	-	(1,953,613)	(3,704)
As restated	2,158,390	1,757,085	7,905	503,620	444,124	28,381	8,237	(143,830)	(678,371)	4,085,541
Issue of shares	262,278	-	-	-	-	-	-	-	-	262,278
Surplus/(deficit) on revaluation	-	-	-	483,422	229,107	(12,883)	-	-	-	699,646
Transferred from property development	-	-	-	(25,180)	25,180	-	-	-	-	-
Exchange realignments	-	-	-	-	-	-	-	(9,644)	-	(9,644)
Disposal of subsidiaries	-	-	-	-	(54,505)	-	-	(4,321)	-	(58,826)
Profit for the year	-	-	-	-	-	-	-	-	120,656	120,656
At 31 December 2001	2,420,668	1,757,085	7,905	961,862	643,906	15,498	8,237	(157,795)	(557,751)	5,099,651
Reserves retained by:										
Company and subsidiaries	2,420,668	1,757,085	7,905	961,862	643,906	-	8,237	86,424	(573,747)	5,312,340
Associates	-	-	-	-	-	15,498	-	(244,219)	16,032	(212,689)
31 December 2001	2,420,668	1,751,085	7,905	961,862	643,906	15,498	8,237	(157,795)	(557,715)	5,099,651
Company and subsidiaries	2,158,390	1,757,085	7,905	503,620	444,124	-	8,237	90,745	(682,040)	4,288,066
Associates	-	-	-	-	-	28,381	-	(234,575)	3,669	(202,525)
31 December 2000	2,158,390	1,757,085	7,905	503,620	444,124	28,381	8,237	(143,830)	(678,371)	4,085,541

* 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 revenue reserve, which are restricted as to use.

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34. RESERVES (continued)

Certain amounts of goodwill and negative goodwill arising on the acquisition of subsidiaries and associates, remain eliminated against and credited to the capital reserve, respectively, as explained in notes 17 and 19 to the financial statements.

Company

	Share premium account <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Capital redemption reserve <i>HK\$'000</i>	Retained profits/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 January 2000	2,166,573	1,312,946	7,646	3,046,785	6,533,950
Bonus issue	(8,203)	—	—	—	(8,203)
Share options exercised	20	—	—	—	20
Transfer from retained profits	—	—	259	(259)	—
Profit for the year	—	—	—	14,847	14,847
Premium on repurchase of the Company's shares	—	—	—	(1,386)	(1,386)
At 31 December 2000 and 1 January 2001	2,158,390	1,312,946	7,905	3,059,987	6,539,228
Issue of shares	262,278	—	—	—	262,278
Loss for the year	—	—	—	(3,341,826)	(3,341,826)
At 31 December 2001	2,420,668	1,312,946	7,905	(281,839)	3,459,680

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35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

- (a) Reconciliation of profit/(loss) from operating activities to net cash inflow from operating activities:

	2001 HK\$'000	2000 HK\$'000 (Restated)
Profit/(loss) from operating activities	121,146	(1,984,153)
Interest income	(18,624)	(16,120)
Depreciation	6,010	6,017
Gain on disposal of subsidiaries	(95,008)	(14,345)
Loss on reorganisation of department store operations	–	9,533
Loss on disposal of fixed assets	127	2,329
Provision for impairment in fair values of short term listed and unlisted investments	66	377
Provision for impairment in value of an associate	–	108,501
Provision for impairment in value of long term investments	22,747	27,638
Provision for impairment of goodwill	1,283	1,949,909
Negative goodwill recognised as income:		
Amortised during the year	(12,286)	–
Released to cost of properties sold	(30,430)	–
Additions to land bank assembly in progress	–	(246,023)
Decrease in properties held for sale	114,247	66,986
Decrease in inventories	4,242	7,057
Decrease/(increase) in trade receivables	(35,470)	55,859
Decrease in mortgages and unsecured loans receivable	96,889	17,768
Decrease/(increase) in other debtors, deposits and prepayments	(70,276)	316,726
Increase/(decrease) in trade payables	(37,071)	78,098
Increase/(decrease) in other payables	155,321	(1,590)
Increase in amount due to related companies	–	4,671
Increase/(decrease) in amount due to a director	(1,179)	1,179
Increase/(decrease) in amount due to the ultimate holding company	(17,489)	265
Net cash inflow from operating activities	204,245	390,682

Notes to Financial Statements

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35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(b) Analysis of changes in financing during the year:

	Issued capital and share premium account <i>HK\$'000</i>	Bank and other loans <i>HK\$'000</i>	Minority interests <i>HK\$'000</i>	Loans from related companies <i>HK\$'000</i>
Balance at 1 January 2000	2,412,664	1,548,975	2,262,905	358,662
Cash inflow/(outflow) from financing activities, net	(1,622)	317,853	(76,091)	(55,772)
Premium on repurchase of shares	1,386	—	—	—
Share of revaluation reserve	—	—	29,453	—
Share of profits for the year	—	—	67,478	—
Exchange realignment	—	—	(6,387)	—
Arising on partial acquisition of subsidiaries	—	—	(4,956)	—
Arising on disposal of a subsidiary	—	—	(15,080)	—
Balance at 31 December 2000 and 1 January 2001	2,412,428	1,866,828	2,257,322	302,890
Cash inflow/(outflow) from financing activities, net	(6,663)	876,253	26,759	44,610
Share of losses for the year	—	—	(9,285)	—
Exchange realignment	—	—	(4,133)	—
Share of fair value adjustment on privatisation of a publicly listed subsidiary	—	—	382,257	—
On privatisation of a publicly listed subsidiary	336,761	—	(1,964,538)	—
Disposal of subsidiaries	—	—	(189)	—
Partial acquisition of subsidiaries	—	—	133	—
Share of revaluation reserve	—	—	(9,658)	—
	2,742,526	2,743,081	678,668	347,500

Notes to Financial Statements

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35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

(c) Partial acquisition of subsidiaries:

	2001 HK\$'000	2000 HK\$'000
Net assets acquired:		
Investment properties	–	43,000
Mortgages and unsecured loans receivable	–	200,090
Properties held for sale	–	6,930
Other receivables	–	460,300
Cash and cash equivalents	–	1,069
Trade payables	–	(66,105)
Other payables	–	(3,867)
Tax payable	–	(38,435)
Loan to a shareholder	31,233	–
Minority interests	(133)	4,956
	31,100	607,938
Goodwill on acquisition	1,283	(2,618)
	32,383	605,320
Satisfied by:		
Cash consideration	32,383	303,829
Reclassification of interests in subsidiaries, previously accounted for as jointly-controlled entities	–	301,491
	32,383	605,320
An analysis of the net outflow of cash and cash equivalents in respect of the partial acquisition of subsidiaries is as follows:		
Cash consideration	(32,383)	(303,829)
Cash and bank balances acquired	–	1,069
Net outflow of cash and cash equivalents in respect of the partial acquisition of subsidiaries	(32,383)	(302,760)

Notes to Financial Statements

31 December 2001

35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

The subsidiaries acquired during the year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the consolidated profit after tax and before minority interests for the year.

On 1 February, 2001, the Group acquired the remaining 10% equity interest in Daily Rich Limited. The purchase consideration for the acquisition was in the form of cash, with HK\$10,000,000 being paid at the acquisition date and the remaining HK\$22,383,000 being paid on 16 June 2001 and 30 June 2001.

The subsidiaries acquired during the year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the consolidated profit after tax and before minority interests for the year.

(d) Disposal of subsidiaries:

	2001 HK\$'000	2000 HK\$'000
Net assets disposed of:		
Fixed assets	–	39,751
Investment properties	131,777	–
Current account with fellow subsidiaries	–	(6,003)
Other receivables	1,613	–
Cash and bank balances	406	–
Other payables	(6,343)	(1,592)
Exchange fluctuation reserve	(4,321)	5,402
Revaluation reserve	(54,505)	–
Minority interests	(189)	(15,080)
Negative goodwill	(22,070)	–
	46,368	22,478
Gain on disposal of subsidiaries	95,008	14,345
	141,376	36,823
Satisfied by:		
Cash consideration	141,376	36,823
An analysis of net inflow of cash and cash equivalents in respect of the disposal of subsidiaries during the year ended is as follows:		
Cash consideration	141,376	36,823
Cash and bank balances disposed	(406)	–
Net inflow of cash and cash equivalents in respect of the disposal of subsidiaries	140,970	36,823

Notes to Financial Statements

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35. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

The subsidiaries disposed of in the current year made no significant contribution to the Group in respect of the cash flows, turnover and contribution to the consolidated profit after tax and before minority interests for the year.

(e) Major non-cash transaction

On 6 February 2001, a wholly-owned subsidiary of the Company, Camstar Capital Limited, announced an offer to acquire the remaining 25% shareholding in Concord Land Development Company Limited ("Concord Land") through a voluntary conditional share exchange offer. At the extraordinary general meeting of Concord Land on 17 April 2001, a resolution for the withdrawal of the listing of all shares of Concord Land on the Hong Kong Stock Exchange was passed by a majority in number representing three-fourths in value of the Concord Land's independent shareholders. On 2 May 2001, the listing of the Shares of Concord Land on the Hong Kong Stock Exchange has been withdrawn.

Accordingly, on the acceptance of the above-mentioned offer by Concord Land's independent shareholders, the Company has issued 678,202,395 new ordinary shares of HK\$0.10 each as consideration for the remaining 25% shareholding in Concord Land.

Further details of the transaction are set out in the Company's circular dated 23 March 2001.

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36. RELATED PARTY TRANSACTIONS

Other than disclosed elsewhere in the financial statements, during the year, the Group had transactions with the following related parties:

	<i>Notes</i>	2001 <i>HK\$'000</i>	2000 <i>HK\$'000</i>
Various income and expenses			
Interest paid to Fine Tower Associates Limited	(a)	20,525	28,599
Interest paid to Ocean Rich Limited		–	5,288
Interest paid to Gain Time Holdings Limited	(b)	23,751	7,979
Management fees receivable from jointly-controlled entities		–	2,290
Management fees receivable from China Medical Science Limited	(c)	650	–
Advertising fees paid to Concord Oil (Hong Kong) Limited	(d)	1,400	–
Interest payable to Concord Oil (Hong Kong) Limited	(e)	2,900	–
Interest income from Concord Bank	(f)	739	882
Interest payable to Concord Bank	(g)	2,076	38
Bank charges payable to Concord Bank	(h)	603	–

- (a) The interest paid relates to a long term loan of HK\$224 million (2000: HK\$280 million) borrowed from Fine Tower Associates Limited, a related company. Mr. Wong Sai Chung, a director of the Company, is a director and controlling shareholder of the related company. The interest is charged based on the prevailing market interest rates.
- (b) The interest paid relates to loans of HK\$123.5 million and HK\$140 million borrowed from Gain Time Holdings Limited, a related company. The loan of HK\$140 million was fully repaid in 2001. Mr. Wong Sai Chung, a director of the Company, is a director and controlling shareholder of the related company. The interest is charged at a rate of 18% per annum.
- (c) The management fee income relates to the use of a certain portion of the Company's premises located at 14th Floor, Wheelock House, 20 Pedder Street, Central, Hong Kong by China Medical Science Limited, a related company. Mr. Wong Sai Chung, a director of the Company, is a director and controlling shareholder of the related company. The management fee was charged at HK\$50,000 per month.

Notes to Financial Statements

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36. RELATED PARTY TRANSACTIONS (continued)

- (d) The advertising fees paid relate to a fixed charge of HK\$1.4 million from Concord Oil (Hong Kong) Limited, an associate, for promoting the Company's brand image.
- (e) The interest paid relates to the current account with Concord Oil (Hong Kong) Limited, an associate. The interest is charged based on the prevailing market interest rates.
- (f) The interest income was generated from the amounts held by a related company, which is a bank. The interest rates on the bank accounts are similar to those given to other customers of the bank.
- (g) The interest was derived from loans granted by a related company, which is a bank. The interest rate is similar to that charged to other customers of the bank.
- (h) Bank charges were paid to a related company, which is a bank, on normal trading transactions. The charges are similar to that charged to other customers of the bank.

37. CAPITAL COMMITMENTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Authorised and contracted for	514,574	406,206
Authorised, but not contracted for	70,200	72,132
	584,774	478,338

The Company had no significant capital commitment as at 31 December 2001 (2000: Nil).

Notes to Financial Statements

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38. 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 8 years. The terms of the leases generally also require the tenants to pay security deposits and provide for periodic rent adjustments according to the 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	
	2001 HK\$'000	2000 HK\$'000
Within one year	22,461	16,472
In the second to fifth years, inclusive	45,237	41,157
After five years	13,901	5,947
	81,599	63,576

(b) As lessee

The Group leases certain of its office properties under operating lease arrangements. Leases for properties are negotiated for 3 years.

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

	Group	
	2001 HK\$'000	2000 HK\$'000 (Restated)
Within one year	1,161	2,786
In the second to fifth years, inclusive	—	1,161
	1,161	3,947

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31 December 2001

38. OPERATING LEASE ARRANGEMENTS (continued)

The Company had no operating lease arrangements as at 31 December 2001 (2000: Nil).

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.

39. COMMITMENTS

In addition to the operating lease commitments detailed in note 38(b) above, the Group and the Company had the following commitments at the balance sheet date:

- (a) Commitments under sub-contracting fees payable to Chinese joint venture parties:

	Group	
	2001 HK\$'000	2000 HK\$'000 (Restate)
Within one year	660	1,131
In the second to fifth years, inclusive	660	1,320
After five years	—	—
	1,320	2,451

- (b) The Company had no commitments as at 31 December 2001 (2000: Nil).

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40. CONTINGENT LIABILITIES

	Group		Company	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Guarantees given to banks in connection with facilities granted to:				
Subsidiaries	–	–	821,449	661,947
Associates	13,267	6,600	13,267	6,600
	13,267	6,600	834,716	668,547
Guarantees of purchases granted to:				
Associates	12,943	–	12,943	–
	26,210	6,600	847,659	668,547

41. POST BALANCE SHEET EVENTS

On 3 March 2002, Top Asia Holdings Limited, a wholly-owned subsidiary of the Group, entered into a revised sales and purchase agreement to acquire 100% of the issued share capital of Winsan (BVI) Company Limited, which holds a 46.16% interest in Winsan (Shanghai) Industrial Company Limited. At the same date, Shanghai Jinan-Concord Real Estate Company Limited also entered into a revised sales and purchase agreement to acquire a 4.29% interest in Winsan (Shanghai) Industrial Company Limited.

The aggregate consideration is RMB304,511,906 (equivalent to HK\$286,950,533) payable by cash in three instalments upon the fulfilment of certain conditions as stipulated in the said revised sales and purchase agreement. The first instalment of RMB84,896,000 (equivalent to HK\$80,000,000) was paid on 15 March 2002. The remaining two instalments are not yet due and have been included in the Group's capital commitments as at the year end.

42. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 13 May 2002.

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43. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Name	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
		2001	2000	
Incorporated and operating in Hong Kong				
Concord Tempo Limited*	HK\$2	100%	100%	Procurement of watch components and related services
Duralite Communications Limited*	HK\$1,000,000	60%	60%	Sale of tele- communications components
Elite-Splendid Enterprises Limited*	HK\$2	100%	75%	Property development
Active Development Ltd*	HK\$2	100%	75%	Provision of management services
Flash Trend Investment Ltd*	US\$1	100%	—	Investment holding
Get Luck Development Limited*	HK\$2	100%	75%	Property development
Superforce Resources Limited*	HK\$2	100%	75%	Provision of mortgage loans
Smile Beauty Investments Limited*	HK\$2	100%	67 ¹ / ₂ %	Sale of properties
Top Asia Holdings Limited*	HK\$100	100%	—	Investment holding

Notes to Financial Statements

31 December 2001

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
		2001	2000	
Incorporated and operating in the Cayman Islands				
Concord Land Development Company Limited*	HK\$125,988,660	100%	75%	Investment holding
Incorporated and operating in the British Virgin Islands				
Daily Rich Limited*	US\$50,000	100%	67½%	Investment holding
Vivid Capital Investments Limited*	US\$50,000	70%	70%	Investment holding
Concord Telecommunications Holding Limited*	US\$10	60%	60%	Provision of mobile telecommunications services
Camstar Capital Limited	US\$1	100%	100%	Investment holding
China Rich Worldwide Limited*	US\$45,001	100%	75%	Investment holding
China View Group Limited*	US\$1,000	100%	75%	Investment holding
Recognition Inc.**	US\$1	—	75%	Property development
New Telecom Technology Limited*	US\$1	60%	60%	Sale of telecommunications products

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43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
		2001	2000	
Incorporated and operating in the British Virgin Islands (continued)				
Chains Way Limited	US\$1	100%	100%	Investment holding
Star Host Limited*	US\$1	100%	75%	Property holding
Qualiwell Investment Limited*	US\$2	100%	75%	Property investment
King Host Limited*	US\$1	100%	75%	Property development
Mass Ocean International Limited*	US\$1	100%	75%	Property development
Corps Development Limited* (formerly known as Mayson Development Limited)	US\$10	90%	67 ¹ / ₂ %	Property development
Gross Map Enterprises Limited*	US\$1	100%	75%	Property development
Top Link Company Limited*	US\$50,000	53 ¹ / ₂ %	40 ¹ / ₈ %	Property development
Ramsford Development Limited	US\$1	100%	100%	Investment holding
Clever Gold Limited	US\$1	100%	100%	Corporate finance
Smart Unicom Limited	US\$1	100%	100%	Corporate finance

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43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
		2001	2000	
Incorporated and operating in the British Virgin Islands (continued)				
Beauty Rich Enterprises Limited*	US\$1	100%	75%	Property holding
Claude Associates Limited*	US\$1	100%	75%	Investment holding
Concord Property Development Limited*	US\$50,000	100%	67 ¹ / ₂ %	Investment holding
Canary World Limited	US\$1	100%	–	Corporate Finance
City Islands Limited	US\$1	100%	–	Investment holding
Registered and operating in the People's Republic of China (the "PRC")				
Concord Electronic Industrial (Zhu Hai) Company Limited*	HK\$14,900,000	100%	100%	Manufacture of quartz watches
Xiamen C.G.C. Trading Co. Limited*	US\$1,000,000	70%	70%	Department store
Concord Properties (Wuhan) Limited*	US\$5,000,000	100%	75%	Property development
Shanghai Jinan-Concord Real Estate Co., Limited*	US\$48,000,000	92%	69%	Property development
Suzhou Concord Real Estate Company Limited*	US\$5,000,000	55%	55%	Property holding

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43. PARTICULARS OF PRINCIPAL SUBSIDIARIES (continued)

Name	Nominal value of issued share capital/ registered capital	Percentage of equity interest attributable to the Company		Principal activities
		2001	2000	
Shunba Development (Zhuhai) Limited*	HK\$7,000,000	60%	60%	Manufacture and sale of telecommunications products
Sichuan Concord Electronic Industry Company Limited*	HK\$4,270,000	60%	60%	Manufacture and sale of telecommunications products
Shanghai Min Xin Concord Property Development Co., Ltd.*	RMB150,000,000	98.67%	74%	Property development
Beijing Leimeng-Concord Department Store*	RMB4,000,000	100%	100%	Department store

* Indirect subsidiary

** disposed of during the year

Companies registered in the PRC operate for a finite period of time as specified in the joint venture agreements. These periods may be extended upon mutual agreement of the joint venture partners and in accordance with the relevant PRC laws. The first and the last expiry dates of the terms of these subsidiaries fall in the years 2000 and 2069, respectively.

Except for Shanghai Jinan-Concord Real Estate Co. Ltd., Suzhou Concord Real Estate Company Ltd., Concord Properties (Ningbo) Limited and Shanghai Min Xin Concord Property Development Co. Ltd., all subsidiaries registered and operating in the PRC are subject to sub-contracting arrangements under which the Group is entitled to receive all of the profits and is required to bear all of the losses of these companies in return for the payment of pre-agreed annual fees to the fellow joint venture partners. The percentage of equity interest attributable to the Group reflects the Group's interests after taking into account the sub-contracting arrangements.

The above table lists the principal 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 details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

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44. PARTICULARS OF PRINCIPAL ASSOCIATES

Name	Business structure	Place of incorporation/ registration and operations	Percentage of ownership interest attributable to the Group		Principal activities
			2001	2000	
Tempo Electronic Industrial Company Limited	Corporate	PRC	50%	50%	Manufacture of quartz watches
Concord Oil Limited	Corporate	British Virgin Islands	33%	33%	Distribution of petroleum products
Rachada Concord Co. Ltd.	Corporate	Thailand	35%	35%	Property development
Guangzhou Sifang Concord Real Estate Company Limited	Corporate	PRC	30%	22½%	Property development
Concord Properties (Shenyang) Limited	Corporate	PRC	30%	22½%	Property development
Zhuhai Micro-Net Works, Inc	Corporate	PRC	30%	30%	Manufacture of electronic products

Companies registered in the PRC operate for a finite period of time as specified in the joint venture agreements. These periods may be extended upon mutual agreement of the joint venture partners and in accordance with the relevant PRC laws. The first and the last expiry dates of the terms of these associates fall in the years 2008 and 2025, respectively.

The above table lists the associates of the Group which, in the opinion of the directors, principally affected the results of 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.