

Notes to the Financial Statements

For the year ended 31st December, 2002

1. GENERAL

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 48.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAPs") issued by the Hong Kong Society of Accountants, which has resulted in the adoption of the following new and revised accounting policies. The adoption of these new and revised SSAPs has resulted in a change in the format of presentation of the cash flow statement and the statement of changes in equity, and in adoption of the following new and revised accounting policies has had no material effect on the results for the current or prior accounting years. Accordingly, no prior year adjustment has been required.

Foreign Currencies

The revisions to SSAP 11 "Foreign Currency Translation" have eliminated the choice of translating the income statements of subsidiaries and associates operating outside Hong Kong at the closing rate for the year, the policy previously followed by the Group. They are now required to be translated at an average rate. This change in accounting policy has not had any material effect on the results for the current or prior accounting years.

Cash Flow Statements

In the current year, the Group has adopted SSAP 15 (Revised) "Cash Flow Statements". Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interests, which were previously presented under a separate heading, are classified as operating or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of overseas operations and subsidiaries have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date. The adoption of this revised SSAP has resulted in the change of format of presentation and no material effect on the results for the current or prior year.

2. ADOPTION OF NEW AND REVISED STATEMENTS OF STANDARD ACCOUNTING PRACTICE *(Continued)*

Discontinuing Operations

SSAP 33 "Discontinuing Operations" is concerned with the presentation of financial information regarding discontinuing operations and replaces the requirements previously included in SSAP 2 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies". Under SSAP 33, financial statement amounts relating to the discontinuing operation are disclosed separately from the point at which either a binding sale agreement is entered into or a detailed plan for the discontinuance is announced. The adoption of SSAP 33 has resulted in the identification of the Group's operation of toll highway as a discontinuing operation in the current year. Details of which are disclosed at note 10.

Employee Benefits

In the current year, the Group has adopted SSAP 34 "Employee Benefits", which introduces measurement rules for employee benefits, including retirement benefit plans. Because the Group's participating only in defined contribution retirement benefit schemes, the adoption of SSAP 34 has not had any material impact on the financial statements.

3. CHANGES IN ACCOUNTING POLICIES

During the year, the Group has reviewed the appropriateness of the accounting policy adopted for hotel property following the group reorganisation ("Group Reorganisation"), whereby, the Group acquired subsidiaries engaging in hotel operations through new issue or placement of shares and convertible notes, details of which were set out in the circulars to the Company's shareholder dated 5th October, 2002 and 21st October, 2002. In previous years, hotel properties were stated at the open market value based on professional valuations at the balance sheet date. The directors determined that with effect from 1st January, 2002, hotel properties are stated at cost less accumulated impairment loss. This change in accounting policy would provide a better presentation on the Group's principal assets. The change in accounting policy has been applied retrospectively, resulting in no material effect on the results for the prior accounting years. Accordingly no prior year adjustment has been required.

Notes to the Financial Statements

For the year ended 31st December, 2002

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified for the revaluation of investment properties and investments in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

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

Goodwill is capitalised and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Negative goodwill

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

Negative goodwill arising on acquisition prior to 1st January, 2001 continues to be held in reserve and will be credited at the time of disposal of the relevant subsidiary or associate.

Negative goodwill arising on acquisition after 1st January, 2001 is presented as deduction from assets. To the extent that the negative goodwill is attributable to losses or expenses anticipated at the date of acquisition, it is released to income in the year in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight line basis based on analysis of the circumstances from which the balance resulted. To the extent that such negative goodwill exceeds the aggregate fair value of the acquired identifiable non-monetary assets, it is recognised in income immediately.

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate. Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Investments in subsidiaries**

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Interest in an associate

The consolidated income statement includes the Group's share of the post-acquisition results of its associate for the year. In the consolidated balance sheet, interest in associate is stated at the Group's share of net assets of the associate, less any identified impairment loss.

Recognition of revenue

Hotel revenue from rooms and other ancillary services is recognised when the services are rendered.

Income from sale of completed properties is recognised on the execution of a binding sales agreement.

Toll revenue is recognised on a receipt basis.

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

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

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

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance of the investment property revaluation reserve is charged to the income statement. Where a deficit has previously been charged to the income statement and a revaluation surplus subsequently arises, this surplus is credited to the income statement to the extent of the deficit previously charged.

On disposal of an investment property, the balance of the investment property revaluation reserve attributable to the property is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease, including the renewal period, is of 20 years or less.

Notes to the Financial Statements

For the year ended 31st December, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Properties under construction and construction in progress

Properties under construction and construction in progress are stated at cost, which includes land cost, the related construction costs and borrowing costs capitalised in accordance with the Group's accounting policies, less accumulated impairment losses. No depreciation or amortisation is provided on properties under construction and construction in progress until the construction is completed and the properties and assets are ready for use.

Hotel properties

Hotel property is stated at cost less accumulated impairment loss. Cost comprises land costs, development costs, borrowing cost capitalised in accordance with the Group's accounting policy and other direct cost attributable to the property. No depreciation or amortisation is provided on hotel property. It is the Group's policy to maintain these assets in a continual state of sound repair and maintenance and to extend and make improvements thereto from time to time, and accordingly the directors consider that given the estimated life of this asset any depreciation would be insignificant.

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

Other property, plant and equipment

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

Depreciation of toll highways is provided on the basis of a sinking fund calculation where annual depreciation charges compounded at rates of 4% per annum will equal the cost of the toll highways at the end of the joint venture period of the relevant company in which the toll highway operates.

Depreciation and amortisation is provided to write off the cost of the assets over their estimated useful lives and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Leasehold improvements	20% or the term of the lease or land use rights, if shorter
Furniture, equipment and motor vehicles	12.5% – 20%

Assets held under finance lease are depreciated over the estimated useful lives on the same basis as assets owned by the Group.

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Impairment**

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Leased assets

Leases are classified as finance lease when the terms of the lease transfer substantially all the risks and rewards of ownership of the assets concerned to the Group. Assets held under finance lease are capitalised at their fair values at the date of acquisition. The corresponding liability to the lessor, net of interest charges, is included in the balance sheet as a finance lease obligation. Finance costs, which represent the difference between the total leasing commitments and the original principal at the inception of the respective leases, are charged to the income statement over the period of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

All other leases are classified as operating leases and the annual rentals are charged to the income statement on a straight line basis over the relevant lease term.

Properties under/held for development

Properties under/held for development where no decision has yet been taken to re-sell or hold for long term purposes are stated at cost, less accumulated impairment losses. No depreciation or amortisation is provided on properties under/held for development.

Costs comprise land cost, development costs, borrowing costs capitalised in accordance with the Group's accounting policy and other direct costs attributable to the properties.

Properties held for sale

Properties held for sale are stated at the lower of cost and net realisable value. Cost comprises all costs of purchase. Net realisable value is calculated at the actual or estimated selling price less related costs of marketing and selling.

Notes to the Financial Statements

For the year ended 31st December, 2002

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in securities

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

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in the net profit or loss for the year.

Club debenture

Club debenture is stated at cost less any identified impairment loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalised as part of the cost of that assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

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

Inventories

Inventories comprising food, beverages and general stores are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost method.

Retirement benefit scheme

Payments to state-managed retirement benefit schemes and Mandatory Provident Fund Scheme are charged as an expense as they fall due.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the income statement.

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

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)**Taxation**

The charge for taxation is based on the results for the year as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the financial statements. The tax effect of timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

5. TURNOVER

Turnover represents the net amounts received and receivable from outside customers during the year and is analysed as follows:

	2002 HK\$'000	2001 HK\$'000
Hotel operation	56,642	50,518
Sales of properties	51,231	58,800
Property rental income	7,401	5,630
Toll highway income	66,418	—
	181,692	114,948

6. BUSINESS AND GEOGRAPHICAL SEGMENTS**Business segments**

For management purposes, the Group is currently organised into three major operating divisions – hotel operation, property sales and development and property rental. These divisions are the basis on which the Group reports its primary segment information.

Principal activities are as follows:

Hotel operation	—	operation of hotel
Property sales and development	—	sales and development of properties
Property rental	—	leasing of properties

In prior years, the Group was also involved in the construction and operation of toll highway. The operation was discontinued from 26th November, 2002 (see note 10).

Notes to the Financial Statements

For the year ended 31st December, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

An analysis of the Group's revenue and contribution to operating results and segmental assets and liabilities by business segments is presented below:

For the year ended 31st December, 2002

	Continuing operations				Discontinuing operation		
	Hotel	Property	Property	Other	Toll	Elimination	Consolidated
	operation	sales and	rental	operations	highway		
	HK\$'000	development	HK\$'000	HK\$'000	operation	HK\$'000	HK\$'000
REVENUE							
External sales	<u>56,642</u>	<u>51,231</u>	<u>7,401</u>	<u>992</u>	<u>66,418</u>	<u>-</u>	<u>182,684</u>
RESULT							
Segment result	<u>(517)</u>	<u>(7,418)</u>	<u>(8,515)</u>	<u>(272)</u>	<u>(45,968)</u>	<u>-</u>	<u>(62,690)</u>
Unallocated corporate expenses							<u>(29,541)</u>
Loss from operations							(92,231)
Finance costs							(44,680)
Share of result of an associate							<u>(151)</u>
Loss before minority interest							<u>(137,062)</u>

Notes to the Financial Statements

For the year ended 31st December, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)**For the year ended 31st December, 2002 (Continued)**

	Continuing operations			
	Hotel operation	Property sales and development	Property rental	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS				
Segment assets	1,568,690	540,346	56,818	2,165,854
Unallocated corporate assets	–	–	–	127,570
Consolidated total assets				<u>2,293,424</u>
LIABILITIES				
Segment liabilities	89,612	115,019	3,384	208,015
Unallocated corporate liabilities	–	–	–	1,034,318
Consolidated total liabilities				<u>1,242,333</u>

Other information

	Continuing operations				Discontinuing operation	
	Hotel operation	Property sales and development	Property rental	Other operations	Toll highway operation	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	10,923	20,690	8	13	3,868	35,502
Capital additions under finance lease	3,277	–	–	–	–	3,277
Depreciation and amortisation	2,106	31	29	1,362	27,457	30,985
Impairment loss and revaluation decrease	–	1,185	9,069	–	70,467	80,721
Exchange difference on investments securities	–	–	–	341	–	341
Negative goodwill released	(107)	–	–	–	–	(107)
Unrealised loss on investment in securities	–	–	–	412	–	412
Allowance against bad and doubtful debts	–	–	–	511	–	511
Amortisation of bank borrowings arrangement fee	35	–	–	–	–	35

Notes to the Financial Statements

For the year ended 31st December, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

For the year ended 31st December, 2001

	Continuing operations			Discontinuing operation			
	Property			Toll			
	Hotel	sales and	Property	Other	highway	Elimination	Consolidated
	operation	development	rental	operations	operation		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
REVENUE							
External sales	50,518	58,800	5,630	4,002	–	–	118,950
Inter-segment sales	–	–	–	1,685	–	(1,685)	–
Total revenue	<u>50,518</u>	<u>58,800</u>	<u>5,630</u>	<u>5,687</u>	<u>–</u>	<u>(1,685)</u>	<u>118,950</u>
RESULT							
Segment result	<u>(18,125)</u>	<u>(119,974)</u>	<u>(18,579)</u>	<u>(10,537)</u>	<u>(360,272)</u>	<u>–</u>	<u>(527,487)</u>
Unallocated corporate expenses							<u>(24,464)</u>
Loss from operations							(551,951)
Gain on partial disposal of subsidiaries							14,453
Finance costs							(12,404)
Share of result of an associate							<u>(1,501)</u>
Loss before taxation							(551,403)
Taxation							<u>124</u>
Loss before minority interests							<u>(551,279)</u>

Inter-segment sales are charged at terms determined and agreed between the group companies.

Notes to the Financial Statements

For the year ended 31st December, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

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

	Continuing operations			Discontinuing operation	
	Property			Toll	
	Hotel operation	sales and development	Property rental	highway operation	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS					
Segment assets	208,102	548,909	70,968	841,836	1,669,815
Interest in an associate	–	–	–	–	8,226
Unallocated corporate assets	–	–	–	–	57,166
					<u>1,735,207</u>
Consolidated total assets					<u>1,735,207</u>
LIABILITIES					
Segment liabilities	8,693	118,056	3,345	178,175	308,269
Unallocated corporate liabilities	–	–	–	–	672,548
					<u>980,817</u>
Consolidated total liabilities					<u>980,817</u>

Other information

	Continuing operations			Discontinuing operation		
	Hotel operation	Property sales and development	Property rental	Other operations	highway operation Toll	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	193	26,859	23	2,825	273,565	303,465
Depreciation and amortisation	58	244	33	1,457	–	1,792
Impairment loss and revaluation decrease	25,000	103,131	19,977	–	360,272	508,380
Unrealised loss on investment in securities	–	–	–	7,512	–	7,512
Allowance against bad and doubtful debts	–	–	–	2,413	–	2,413

Notes to the Financial Statements

For the year ended 31st December, 2002

6. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Geographical segments

An analysis of the Group's revenue by geographical market, irrespective of the origin of the goods and services, is presented below:

	Total revenue	
	2002 HK\$'000	2001 HK\$'000
People's Republic of China (the "PRC")	123,806	78,750
Hong Kong	58,878	40,200
	<u>182,684</u>	<u>118,950</u>

Revenue from the Group's discontinued toll highway operation of HK\$66.4 million (2001: Nil) was derived principally from the PRC.

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

	Carrying amount of assets		Capital additions	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
PRC	1,451,621	1,667,283	38,776	300,640
Hong Kong	837,565	64,026	3	2,825
Others	4,238	3,898	-	-
	<u>2,293,424</u>	<u>1,735,207</u>	<u>38,779</u>	<u>303,465</u>

7. IMPAIRMENT LOSS AND REVALUATION DECREASE

	2002	2001
	HK\$'000	HK\$'000
Impairment loss and revaluation decrease recognised in respect of:		
– construction in progress	-	360,272
– toll highway	70,467	-
– properties under/held for development	-	28,793
– properties under construction	-	63,257
– investment properties	9,069	19,977
– properties held for sale	1,185	11,081
– hotel property	-	25,000
	80,721	508,380

Notes to the Financial Statements

For the year ended 31st December, 2002

8. LOSS FROM OPERATIONS

	2002 HK\$'000	2001 HK\$'000
Loss from operations has been arrived at after charging:		
Directors' emoluments (note 11)	1,392	4,480
Other staff costs	40,839	36,809
Total staff costs	42,231	41,289
Less: amount capitalised in construction in progress, properties under construction and properties under/ held for development	(1,241)	(6,565)
	40,990	34,724
Depreciation and amortisation		
Owned fixed assets	30,754	1,792
Assets held under finance leases	231	–
	30,985	1,792
Less: amount capitalised in construction in progress	–	(231)
	30,985	1,561
Auditors' remuneration	1,310	1,218
Cost of inventories recognised	17,099	17,641
Cost of properties sold	51,795	70,300
Loss on disposal of investment properties	–	50
Unrealised loss on investments in securities	412	7,512
Allowance against bad and doubtful debts	511	2,413
and after crediting:		
Release of negative goodwill, included in other operating income	107	–
Gain on disposal of property, plant and equipment	3	3
Interest income	302	2,899
Net rental income in respect of premises after outgoings of HK\$1,772,000 (2001: HK\$20,000)	12,207	11,542

Included in total staff costs is an aggregate amount of approximately HK\$3,115,000 (2001: HK\$2,250,000) in respect of contribution to retirement benefit scheme paid or payable by the Group.

9. FINANCE COSTS

	2002 HK\$'000	2001 HK\$'000
Interest on		
– bank borrowings		
– wholly repayable within five years	–	2,528
– not wholly repayable within five years	37,689	39,538
– other borrowings		
– wholly repayable within five years	5,586	9,876
– finance lease	177	–
– convertible note	108	–
– promissory note	1,085	–
Amortisation of bank borrowings arrangement fee	35	–
	44,680	51,942
Less: Amount capitalised in construction in progress	–	(39,538)
	44,680	12,404

10. DISCONTINUING OPERATION

In September, 2002, the Group entered into an agreement to dispose of a wholly-owned subsidiary, Fameluxe Investments Limited ("Fameluxe"), which held 60% interest in Shenzhen Longchen Xinyuan Industrial Co., Ltd. ("Longchen Xinyuan"). Longchen Xinyuan is engaged in the operation of a toll highway in the PRC. The disposal was completed on 26th November, 2002, on which date, control of Fameluxe passed to the acquirer.

The results for the year and the carrying amounts of the assets and liabilities of Fameluxe and its subsidiary at the date of disposal are disclosed in note 6 and note 39, respectively.

During the year, Fameluxe and its subsidiary contributed to the Group's net operating cash inflows of HK\$44,561,000 (2001: HK\$12,941,000), paid HK\$3,867,000 (2001: HK\$45,696,000) in respect of investing activities and paid HK\$36,442,000 (2001: HK\$39,538,000) in respect of financing activities.

No profit or loss arose on disposal of Fameluxe as the proceeds approximated to the carrying amount of Fameluxe and its subsidiary's net assets. No tax charge or credit arose from the transaction.

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11. DIRECTORS' EMOLUMENTS

	2002 HK\$'000	2001 HK\$'000
Fees		
– Independent non-executive directors	200	181
Other emoluments		
– Executive directors		
Salaries and benefits	1,176	4,263
Retirement benefits schemes contributions	16	36
	1,392	4,480

The number of directors whose remuneration falls within the bands set out below is as follows:

	No. of directors 2002	2001
Nil to HK\$1,000,000	9	9
HK\$1,000,001 to HK\$1,500,000	-	1
HK\$2,000,001 to HK\$2,500,000	-	1

12. EMPLOYEES' EMOLUMENTS

The five highest paid individuals in the Group included two directors (2001: three directors) of the Company whose emoluments are set out in note 11. The emoluments of the remaining highest paid individuals were as follows:

	2002 HK\$'000	2001 HK\$'000
Remuneration, salaries and other benefits	1,921	1,718

The emoluments of the individuals for both years were less than HK\$1,000,000.

13. TAXATION

No provision for Hong Kong Profits Tax has been made in the financial statements as the Company and its subsidiaries had no assessable profit in either year.

The taxation credit in 2001 represented overprovision for tax in other jurisdictions in previous years.

Tax in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. No provision for tax in other jurisdictions for the current year has been made in the financial statements as neither the Company nor any of its subsidiaries had any assessable profits subject to tax in other jurisdictions.

Details of deferred taxation are set out in note 37.

14. LOSS PER SHARE

The calculation of the basic loss per share is based on the net loss for the year of HK\$99,810,000 (2001: HK\$393,709,000) and on the weighted average number of 1,478,816,555 (2001: 1,244,156,281) ordinary shares in issue during the year.

The computation of diluted loss per share for the year ended 31st December, 2002 does not assume the conversion of the convertible notes since their conversion would result in a decrease in the loss per share for the year.

No diluted loss per share has been calculated for the year ended 31st December, 2001 as there are no dilutive ordinary share in issue.

15. INVESTMENT PROPERTIES**THE GROUP**

HK\$'000

VALUATION

At 1st January, 2002	37,341
Transferred from property, plant and equipment	255,000
Revaluation decrease	(9,069)
	<hr/>
At 31st December, 2002	<u>283,272</u>

The valuation of the Group's investment properties at 31st December, 2002 was carried out by CB Richard Ellis Limited and RHL Appraisal Limited, both of which are independent firms of qualified professional valuers, on an open market value basis. The revaluation decrease of HK\$9,069,000 (2001: HK\$19,997,000) has been charged to the consolidated income statement for the year ended 31st December, 2002.

All the Group's investment properties are held for rental under medium term land use rights in the PRC.

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16. PROPERTY, PLANT AND EQUIPMENT

	Construction in progress HK\$'000	Toll highway HK\$'000	Properties under construction HK\$'000	Leasehold improvements HK\$'000	Furniture, equipment and motor vehicles HK\$'000	Hotel properties HK\$'000	Total HK\$'000
THE GROUP							
COST							
At 1st January, 2002	1,813,453	–	552,464	5,005	17,395	261,318	2,649,635
Acquisitions of subsidiaries	–	–	–	1,635	58,957	1,124,874	1,185,466
Additions	4,782	–	15,634	9,916	3,391	–	33,723
Transferred to							
investment properties	–	–	(312,325)	–	–	–	(312,325)
Reclassification	(1,817,321)	814,434	–	–	–	–	(1,002,887)
Disposals	–	–	–	–	(1,264)	–	(1,264)
Disposal of subsidiaries	–	(814,434)	–	–	(5,096)	–	(819,530)
At 31st December, 2002	914	–	255,773	16,556	73,383	1,386,192	1,732,818
DEPRECIATION, AMORTISATION AND IMPAIRMENT							
At 1st January, 2002	1,002,887	–	212,464	2,265	13,095	61,318	1,292,029
Charge for the year	–	27,016	–	1,086	2,883	–	30,985
Transferred to							
investment properties	–	–	(57,325)	–	–	–	(57,325)
Reclassification	(1,002,887)	–	–	–	–	–	(1,002,887)
Impairment loss for the year	–	70,467	–	–	–	–	70,467
Eliminated on disposals	–	–	–	–	(971)	–	(971)
Disposal of subsidiaries	–	(97,483)	–	–	(3,690)	–	(101,173)
At 31st December, 2002	–	–	155,139	3,351	11,317	61,318	231,125
NET BOOK VALUES							
At 31st December, 2002	914	–	100,634	13,205	62,066	1,324,874	1,501,693
At 31st December, 2001	810,566	–	340,000	2,740	4,300	200,000	1,357,606

16. PROPERTY, PLANT AND EQUIPMENT (Continued)

- (a) The properties under construction are situated in the PRC, other than Hong Kong, and are held under medium-term land use rights.
- (b) The carrying value of hotel properties comprises:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Properties held under long term leases in Hong Kong	609,938	–
Properties held under medium term land use rights in the PRC	714,936	200,000
	1,324,874	200,000

Note:

Included in the properties held under medium term land use rights in the PRC is a hotel property with a carrying value of HK\$200,000,000 (2001: HK\$200,000,000) where a subsidiary of the Company has been granted the right to operate and manage the hotel in Guangzhou, PRC for a period from January 1987 to January 2017, and subject to certain conditions to be fulfilled, the operating period may be extended for a further period of 20 years.

- (c) The net book value of furniture, equipment and motor vehicle of HK\$62,066,000 at 31st December, 2002 includes an amount of HK\$3,046,000 (2001: Nil) in respect of assets held under finance lease.
- (d) As detailed in note 10, the operation of toll highway was discontinued as a result of the disposal of Fameluxe. During the year, the Group reviewed the carrying amount of toll highway with reference to the selling price for the disposal of the toll highway. An impairment loss of approximately HK\$70,467,000 has been identified which has been recognised in the consolidated income statement in the current year.

Notes to the Financial Statements

For the year ended 31st December, 2002

17. PROPERTIES UNDER/HELD FOR DEVELOPMENT

THE GROUP

HK\$'000

COST

At 1st January, 2002 321,525

Development costs incurred 5,056

At 31st December, 2002 326,581

IMPAIRMENT

At 1st January, 2002 and at 31st December, 2002 184,525

NET BOOK VALUES

At 31st December, 2002 142,056

At 31st December, 2001 137,000

All the properties under/held for development are situated in the PRC, other than Hong Kong, under the following terms:

	2002 HK\$'000	2001 HK\$'000
Medium-term land use rights	111,000	111,000
Long-term land use rights	31,056	26,000
	142,056	137,000

Notes to the Financial Statements

For the year ended 31st December, 2002

18. NEGATIVE GOODWILL**THE GROUP**

HK\$'000

GROSS AMOUNT

Arising on acquisition during the year and balance at 31st December, 2002	18,796
---------------------------------------------------------------------------	--------

RELEASED TO INCOME

Released in the year and balance at 31st December, 2002	(107)
---------------------------------------------------------	-------

CARRYING AMOUNT

At 31st December, 2002	18,689
------------------------	--------

The negative goodwill is released to income on a straight line basis of 20 years.

19. INTERESTS IN SUBSIDIARIES**THE COMPANY**
2002
HK\$'000

2001
HK\$'000

Unlisted shares, at cost

3,219,175

3,219,175

Amounts due from subsidiaries

775,023

260,033

Less: Impairment loss

3,994,198
(2,840,448)

3,479,208
(2,759,727)
1,153,750

719,481

During the year, the directors reviewed the carrying amounts of the assets of the Company in light of the current market condition, the directors identified impairment loss and revaluation decreases on properties held by the subsidiaries of approximately HK\$80,721,000. Accordingly, the whole amount has been recognised in the income statement of the Company as impairment losses for the year.

In the opinion of the directors, the amounts due from subsidiaries are unsecured, interest-free and have no fixed repayment terms. The amounts are unlikely to be repaid within one year and are therefore shown as non-current.

Details of the Company's principal subsidiaries as at 31st December, 2002 are set out in note 48.

Notes to the Financial Statements

For the year ended 31st December, 2002

20. INTEREST IN AN ASSOCIATE

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	-	8,226

Interest in an associate at 31st December, 2001 represented 35% equity interest in Wintime Property Developments Limited ("Wintime"). During the year, the remaining 65% equity interest of Wintime was acquired by the Group and Wintime became a wholly owned subsidiary of the Group accordingly.

21. INVESTMENTS IN SECURITIES

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Other investments in Hong Kong		
Listed equity security	3,648	-
Investment securities outside Hong Kong		
Listed equity security	3,636	3,295
Unlisted equity security	-	81
Unlisted debt security	603	603
	4,239	3,979
Total	7,887	3,979
Market value of listed securities	7,284	3,295
Carrying amount analysed for report purposes as:		
Current	4,251	-
Non-current	3,636	3,979
	7,887	3,979

The carrying value of the listed equity security in Hong Kong at 31st December, 2002 represents 2.16% interest in Leadership Publishing Group Limited (formerly known as Sing Pao Media Group Limited), a company incorporated in Cayman Islands and listed on the Growth Enterprise Market of the Stock Exchange.

21. INVESTMENTS IN SECURITIES (Continued)

The carrying value of the listed equity security outside Hong Kong at 31st December, 2002 represents a 8.97% interest in Austindo Resources Corporation N. L., a company incorporated in Australia and listed on the Australian Stock Exchange.

The carrying value of the unlisted debt security at 31st December, 2002 represents a convertible note issued by Austindo Resources Corporation N. L. ("Austindo Convertible Note"). The Austindo Convertible Note is unsecured, interest free and entitles the holder at any time after 27th February, 1998 up to and including 28th February, 2003 to convert the principal amount of the Austindo Convertible Note into shares in Austindo Resources Corporation N. L. at A\$0.11 per share. The Austindo Convertible Note was redeemed in cash subsequent to the balance sheet date.

22. PAYMENT FOR INVESTMENTS

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Payment for acquisition of interests in subsidiaries	<u>183,000</u>	<u>—</u>	<u>75,000</u>	<u>—</u>

Notes:

- (a) Under the Group Reorganisation, the Group entered into a conditional agreement ("Agreement") to acquire the entire share capital of and shareholders' loan to Shropshire Property Limited ("Shropshire") from Ananda Wing On Travel (Holdings) Limited ("Ananda Wing On") for a fair value of HK\$108,000,000 ("Consideration") satisfied by the issue of 366,666,666 shares in the Company at HK\$0.30 per share. Shropshire has the right to acquire 60% interest in Luoyang Golden Gulf Hotel Co., Ltd. ("Luoyang Golden Gulf"), a company established and operating a hotel in Luoyang, the PRC, for a consideration HK\$90,600,000.

In respect of the acquisition of Luoyang Golden Gulf, a deposit of HK\$44,400,000 was paid and the remaining balance of HK\$46,200,000, included in trade and other payables, was agreed to be settled on or before 31st December, 2002 and was further extended to 30th April, 2003. Ananda Wing On has undertaken to settle the remaining balance according to the Agreement and has further undertaken to indemnify the Company against any loss that may suffer as a result of the failure to complete the transfer of the land use rights of the hotel, including the payment of any land premium for such transfer, which was estimated by a PRC property appraiser to be approximately RMB39,700,000.

Notes to the Financial Statements

For the year ended 31st December, 2002

22. PAYMENT FOR INVESTMENTS (Continued)

Notes: (Continued)

The Group has assessed the carrying value of Shropshire with reference to the valuation made by Norton Appraisals Limited, an independent firm of valuer, on the hotel operated and owned by Luoyang Golden Gulf. In the opinion of the directors, the sole asset of Shropshire is the right to acquire 60% interest in Luoyang Golden Gulf, for which the Group does not have to incur any additional costs to complete the acquisition of Luoyang Golden Gulf and the transfer of the necessary land use rights for the operations of the hotel. As the Consideration paid by the Group approximates the hotel's valuation and the acquisition will be completed upon the settlement of the remaining balance before 30th April, 2003, the payment was made for the investment in a subsidiary and classified as non-current.

- (b) The Company entered into a memorandum of understanding with an independent third party regarding the acquisition of the entire share capital of and shareholders' loan to a company holding approximately 87% interest in a hotel located in Shenyang, the PRC. A payment of HK\$75,000,000 was made in accordance with the memorandum of understanding. The Company is negotiating the terms with the independent third party regarding the acquisition. In the opinion of the directors, the payment for such investment in a hotel will be used to settle the acquisition consideration and accordingly the payment is classified as non-current.

23. LOANS FROM/TO MINORITY SHAREHOLDERS OF SUBSIDIARIES

THE GROUP

The amounts are unsecured, interest-free and will not be repaid within one year and are therefore shown as non-current.

Notes to the Financial Statements

For the year ended 31st December, 2002

24. PROPERTIES HELD FOR SALE

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
At 1st January	32,880	31,081
Acquired on acquisition of subsidiaries	51,893	83,180
Disposals	(51,795)	(70,300)
Impairment loss	(1,185)	(11,081)
	<hr/>	<hr/>
At 31st December, at net realisable value	31,793	32,880
	<hr/>	<hr/>

The carrying value of properties held for sale comprises:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Properties held under long-term land use rights in the PRC	28,000	28,000
Properties held under medium-term leases or medium-term land use rights in		
– PRC	3,695	4,880
– Hong Kong	98	–
	<hr/>	<hr/>
	31,793	32,880
	<hr/>	<hr/>

In respect of properties held for sale with a carrying amount of approximately HK\$28,000,000, the transfer of title to the land use right and property ownership has not yet been completed at the balance sheet date. The Group has paid the full amount of the consideration in accordance with the sale and purchase agreement and in the opinion of the directors, such transfer will be completed in due course.

In view of the market conditions, the Group has recognised an impairment loss with reference to the valuation made by CB Richard Ellis Limited and RHL Appraisal Limited, both of which are independent firms of professional property valuers, on an open market basis. An impairment loss of approximately HK\$1,185,000 (2001: HK\$11,081,000) has been identified which has been recognised in the consolidated income statement in the current year.

Notes to the Financial Statements

For the year ended 31st December, 2002

25. LOAN RECEIVABLE FROM AN INVESTEE COMPANY

THE GROUP

The loan in 2001 was unsecured, interest-free, except for an amount of approximately HK\$11,096,000 which was interest bearing at prevailing market rate. During the year, the loan was disposed upon the Group's disposal of its entire interest in Tenways Investments Limited ("Tenways"), a wholly owned subsidiary.

26. TRADE AND OTHER RECEIVABLES

The Group has a policy of agreeing credit terms with each of its trade customers in the light of the individual customer's merit.

Included in trade and other receivables are trade receivables of HK\$11,712,000 (2001: HK\$2,610,000) and their aging analysis is as follows:

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
0 to 90 days	10,198	1,992
91 to 180 days	1,514	618
	<u>11,712</u>	<u>2,610</u>

27. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$6,520,000 (2001: HK\$2,105,000), all of which are aged within 90 days.

Notes to the Financial Statements

For the year ended 31st December, 2002

28. OBLIGATIONS UNDER A FINANCE LEASE

	Minimum lease payments		Present value of minimum lease payments	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts payable under finance lease				
Within one year	1,284	—	1,022	—
In the second to fifth years inclusive	1,607	—	1,468	—
	<u>2,891</u>	<u>—</u>	<u>2,490</u>	<u>—</u>
Less: Future finance charges	(401)	—	N/A	N/A
	<u>2,490</u>	<u>—</u>	<u>2,490</u>	<u>—</u>
Present value of lease obligations	2,490	—	2,490	—
Less: Amount due for settlement within one year included under current liabilities			(1,022)	—
			<u>1,468</u>	<u>—</u>
Amount due after one year			1,468	—

The lease term is three years. For the year ended 31st December, 2002, the effective borrowing rate was 12%. Interest rate is fixed at the contract date. The lease is on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

The Group's obligation under finance lease is secured by the lessor's charge over the leased assets.

Notes to the Financial Statements

For the year ended 31st December, 2002

29. BANK AND OTHER BORROWINGS

	THE GROUP		THE COMPANY	
	2002	2001	2002	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Bank borrowings	385,680	543,071	-	-
Other borrowings	114,000	-	114,000	-
	499,680	543,071	114,000	-
Less: Unamortised bank borrowings arrangement fee	(2,652)	-	-	-
	497,028	543,071	114,000	-
Secured	383,028	543,071	-	-
Unsecured	114,000	-	114,000	-
	497,028	543,071	114,000	-
The maturity profile of the above borrowings is as follows:				
Within one year	28,640	28,090	-	-
More than one year, not exceeding two years	142,640	-	114,000	-
More than two years, but not exceeding five years	85,920	-	-	-
More than five years	239,828	514,981	-	-
	497,028	543,071	114,000	-
Less: Amount due within one year included under current liabilities	(28,640)	(28,090)	-	-
Amount due after one year	468,388	514,981	114,000	-

Notes to the Financial Statements

For the year ended 31st December, 2002

30. SHARE CAPITAL

	Number of shares	Value US\$'000
<i>Authorised</i>		
Ordinary shares of US\$0.02 each		
At 1st January, 2001 and 31st December, 2001	1,900,000,000	38,000
Additions	17,100,000,000	342,000
	<u>19,000,000,000</u>	<u>380,000</u>
At 31st December, 2002	<u>19,000,000,000</u>	<u>380,000</u>
<i>Issued and fully paid</i>		
		Value HK\$'000
Ordinary shares of US\$0.02 each		
At 1st January, 2001	1,136,419,295	177,281
Issue of new shares	226,000,000	35,256
	<u>1,362,419,295</u>	<u>212,537</u>
At 31st December, 2001	1,362,419,295	212,537
Issue of new shares	1,411,666,666	220,220
	<u>2,774,085,961</u>	<u>432,757</u>
At 31st December, 2002	<u>2,774,085,961</u>	<u>432,757</u>

The movements in the ordinary share capital for the year ended 31st December, 2002 were as follows:

- Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 31st May, 2002, the authorised share capital of the Company was increased from US\$38 million to US\$60 million by the creation of 1,100,000,000 shares of US\$0.02 each. The new shares rank pari passu with the existing shares in all respects.
- Pursuant to an ordinary resolution passed by the shareholders of the Company at a special general meeting on 28th October, 2002 in relation to the Group Reorganisation, the Company had the following movements in the share capital:
 - the authorized share capital of the Company was increased from US\$60 million to US\$380 million by the creation of an additional 16,000,000,000 shares of US\$0.02 each. The new shares rank pari passu with the existing shares in all respects;

Notes to the Financial Statements

For the year ended 31st December, 2002

30. SHARE CAPITAL (Continued)

- the Company issued and allotted 1,000,000,000 ordinary shares of US\$0.02 each to a wholly-owned subsidiary of Ananda Wing On at a price of HK\$0.30 per share on 2nd December, 2002 under the subscription agreement entered into on 22nd July 2002; and
- the Company issued 366,666,666 ordinary shares of US\$0.02 each to a wholly-owned subsidiary of Ananda Wing On at a fair value of HK\$108,000,000 (the “Consideration Shares”) on 2nd December, 2002, to satisfy the Consideration.
- 45,000,000 ordinary shares of US\$0.02 each were issued and allotted to institutional and/or professional investors at a price of HK\$0.20 per share, representing a discount of approximately 16.7% to the closing price of HK\$0.24 per share on 28th October, 2002, under a private share placement. These shares were issued under the general mandate granted to the directors of the Company on 28th October, 2002. The placing was completed on 29th November 2002.

All the shares issued during the year rank pari passu with the then existing ordinary shares in all respects.

31. SHARE OPTIONS

2000 Scheme

The Company's share option scheme was adopted on 27th June, 2000 (“2000 Scheme”) for a period of ten years from 3rd July, 2000 to 2nd July, 2010, the purpose of which is to give an incentive and appreciation to employees for their contribution to the Group. Under the 2000 Scheme, the board of directors of the Company (the “Board”) may grant options to executive directors and full time employees of the Company or any of its subsidiaries to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. The exercise price is determined by the Board and shall be the higher of (i) such subscription price as is permissible under the Rules Governing the Listing of Securities (the “Listing Rules”) from time to time; and (ii) the nominal value of a share of the Company. An option may be exercised at any time during such period as the Board may determine, save that such period shall not expire later than ten years from the date upon which the option is granted.

Pursuant to the 2000 Scheme, the maximum number of shares in the Company in respect of which options may be granted when aggregated with any other share option scheme of the Company shall represent 10% of the issued share capital of the Company from time to time, excluding the shares to be issued on the exercise of options granted pursuant to the 2000 Scheme, or any such other scheme, or such higher number of shares as may be permissible under the Listing Rules on the Stock Exchange from time to time.

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him exceeding 25% the aggregate number of shares for the time being issued and issuable under the 2000 Scheme, or such higher number of shares as may be permissible under the Listing Rules.

31. SHARE OPTIONS (Continued)**2000 Scheme (Continued)**

During the year, no options under the 2000 Scheme were granted or exercised by any directors of the Company and no options were cancelled or lapsed. In addition, no options were outstanding at the beginning and at the end of the financial year ended 31st December, 2002.

On 23rd August, 2001, the Stock Exchange has announced amendments to Chapter 17 of Listing Rules in respect of share option schemes, which has come into effect on 1st September, 2001. To comply with the amendments to the Listing Rules and the announcement of the Stock Exchange, the directors considered that it is in the interest of the Company to terminate the 2000 Scheme of the Company and to adopt a new share option scheme.

Pursuant to an ordinary resolution of the Company passed on 4th June, 2002 at a special general meeting, the operation of the 2000 Scheme was terminated and that no further options will be granted under the 2000 Scheme but in all other respects the provisions of the 2000 Scheme shall remain in force to the extent necessary to give effect to the exercise of any options granted prior to such termination.

2002 Scheme

On 4th June, 2002, the Company adopted a new share option scheme (the "2002 Scheme") for the primary purpose of providing incentives and rewards to employees, executives or officers, directors of the Company or any of its subsidiaries and any business consultants, agents, legal or financial advisers of the Company or any of its subsidiaries (the "Participants") for their contribution to the Group. The 2002 Scheme will be ending on 3rd June, 2012. Under the Scheme, the Board may grant options to the Participants to subscribe for shares in the Company for a consideration of HK\$1 for each lot of share options granted. The exercise price is determined by the Board and shall not be less than the highest of:

- (a) the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange on the offer date which must be a business day (and for this purpose, shall be taken to be the date of the Board meeting at which the Board proposes to grant the options);
- (b) the average of the official closing price of the shares as stated in the daily quotation sheet of the Stock Exchange for the 5 business days immediately preceding the offer date; and
- (c) the nominal value of a share.

Notes to the Financial Statements

For the year ended 31st December, 2002

31. SHARE OPTIONS (Continued)

2002 Scheme (Continued)

Pursuant to the 2002 Scheme, the maximum number of shares of the Company in respect of which options may be granted when aggregated with any other share option schemes of the Company is not permitted to exceed 136,241,929 shares, representing approximately 4.9% of the issued share capital of the Company as at the date of this report. Subject to the issue of a circular and the approval of the shareholders of the Company in general meeting and/or such other requirements prescribed under the Listing Rules from time to time, the Board may refresh the limit at any time to 10% of the total number of shares in issue as at the date of approval by the shareholders of the Company in general meeting. Notwithstanding the foregoing, the shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2002 Scheme and any other share option schemes of the Company at any time shall not exceed 30% of the shares in issue from time to time .

No option may be granted to any person if the total number of shares of the Company already issued and issuable to him under all the options granted to him in any 12 months period up to and including the date of grant exceeding 1% of total number of shares in issue at the date of grant. Any further grant of option in excess of this 1% limit shall be subject to the issue of a circular by the Company and the approval of the shareholders in general meetings, such Participant and his associates (as defined in the Listing Rules) abstaining from voting and/or other requirements prescribed under the Listing Rules from time to time. Options granted to substantial shareholders or independent non-executive directors in excess of 0.1% of the Company's share capital or with a value in excess of HK\$5 million must be approved in advance by the Company's shareholders.

There is no specific requirement that an option must be held for any minimum period before it can be exercised but the Board is empowered to impose at its discretion any such minimum period at the time of grant of any particular option. The period during which an option may be exercised will be determined by the Board at its absolute discretion, save that no option may be exercised more than 10 years from the date of grant.

During the year, no options under the 2002 Scheme were granted or exercised by any directors of the Company and no options were cancelled or lapsed since the adoption date.

Notes to the Financial Statements

For the year ended 31st December, 2002

32. RESERVES

	Share premium	Capital reserve	Contributed surplus	Deficit	Total
	HK\$'000	HK\$'000 (Note a)	HK\$'000 (Note b)	HK\$'000	HK\$'000
THE COMPANY					
At 1st January, 2001	25,800	945	3,088,504	(2,354,886)	760,363
Premium arising on new issue of shares	55,144	–	–	–	55,144
Share issue expenses	(2,149)	–	–	–	(2,149)
Net loss for the year	–	–	–	(391,054)	(391,054)
	<u>78,795</u>	<u>945</u>	<u>3,088,504</u>	<u>(2,745,940)</u>	<u>422,304</u>
At 31st December, 2001	78,795	945	3,088,504	(2,745,940)	422,304
Premium arising on new issue of shares	196,780	–	–	–	196,780
Share issue expenses	(4,552)	–	–	–	(4,552)
Net loss for the year	–	–	–	(88,641)	(88,641)
	<u>271,023</u>	<u>945</u>	<u>3,088,504</u>	<u>(2,834,581)</u>	<u>525,891</u>
At 31st December, 2002	<u>271,023</u>	<u>945</u>	<u>3,088,504</u>	<u>(2,834,581)</u>	<u>525,891</u>

Notes:

- (a) The capital reserve of the Group and the Company includes HK\$945,000 (2001: HK\$945,000) in respect of capital redemption reserve fund. The remaining balance of the capital reserve of the Group mainly represents reserve arising from the repurchase of shares of the subsidiary during the group reorganisation in 1995 of approximately HK\$34,405,000 (2001: HK\$34,405,000) and reserve arising on acquisition of subsidiaries in 2000 of approximately HK\$88,000 (2001: HK\$88,000).

Notes to the Financial Statements

For the year ended 31st December, 2002

32. RESERVES (Continued)

- (b) The contributed surplus of the Group represents the difference between the nominal amount of the share capital and share premium of the subsidiaries at the date on which they were acquired by the Group and the nominal amount of the share capital issued as consideration for the acquisition.

The contributed surplus of the Company represents the difference between the underlying net assets of the subsidiaries which were acquired by the Company and the nominal amount of the share capital issued by the Company under a group reorganisation in 1995. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if:

- (i) it is, or would the payment be, unable to pay its liabilities as they become due; or
- (ii) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium.

At 31st December, 2002, the reserve available for distribution to shareholders is HK\$253,923,000 (2001: HK\$342,564,000) which represents the aggregate of contributed surplus of HK\$3,088,504,000 (2001: HK\$3,088,504,000) net off deficit of HK\$2,834,581,000 (2001: HK\$2,745,940,000).

33. AMOUNTS DUE TO RELATED COMPANIES/FORMER FELLOW SUBSIDIARIES

THE GROUP AND THE COMPANY

The amounts represent advances from subsidiaries of China Strategic Holdings Limited ("CSH"), a substantial shareholder of the Company. Following the Group Reorganisation and change of the Company's substantial shareholder during the year, these companies ceased to be the Group's fellow subsidiaries and the balances due were reclassified as amounts due to related companies.

The amounts are unsecured, bear interest at prevailing market rates and are repayable before May 2003. During the year, the repayment date was extended to November 2004 and accordingly, the amounts are classified as non-current.

34. DEPOSITS RECEIVED

THE GROUP

According to two pre-sale agreements dated 7th September, 1994, certain properties of the Group were pre-sold at an aggregate consideration of RMB818,491,770 and 10% of the sale proceeds were received and classified as deposits received in the financial statements. The amounts will be taken up in the income statement on completion of the sale and purchase agreements.

In the opinion of the directors, the completion is unlikely to take place within one year and the amounts are therefore shown in the balance sheet as non-current.

35. CONVERTIBLE NOTE**THE GROUP AND THE COMPANY**

The convertible note was issued to a subsidiary of Sinolink Worldwide (Holdings) Limited on 29th November, 2002. The note is unsecured, bears interest at 2% per annum and entitles the holder at any time after 29th November, 2002 up to and including 26th November, 2004 to convert the principal amount of the convertible note into shares in the Company at HK\$0.30 per share. If the convertible note is not converted by 26th November, 2004, it will be redeemed by the Company in cash on the following business day after the expiry date.

36. PROMISSORY NOTE**THE GROUP**

The promissory note was issued to Hutchison Hotels Holdings (International) Limited as partial consideration for the acquisition of the entire issued share capital of and shareholders' loan to Makerston Limited ("Makerston"), which holds indirectly 95% interest in Rosedale Hotel & Suites ■ Beijing (formerly known as Beijing Harbour Plaza Hotel) located in the PRC. The promissory note is interest bearing at HIBOR plus 2% per annum, repayable on 1st December, 2007 and secured by entire issued share capital of, and shareholders' loan to Makerston and its subsidiaries holding 95% interest in Rosedale Hotel & Suites ■ Beijing.

37. DEFERRED TAXATION

At the balance sheet date, the components of the deferred taxation asset not recognised in the financial statements are as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Difference between depreciation allowances claimed for tax purposes and depreciation charged in the financial statements	1,259	(118)
Unutilised tax losses	39,302	27,061
Impairment and revaluation losses on properties	12,871	11,333
	53,432	38,276

The deferred taxation asset is not recognised because it is uncertain whether the tax benefit will be realised in the foreseeable future.

Notes to the Financial Statements

For the year ended 31st December, 2002

37. DEFERRED TAXATION (Continued)

The components of the deferred taxation (charge) credit not recognised for the year are as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Tax effect of timing differences attributable to:		
Excess (shortfall) of depreciation allowances claimed for tax purposes and depreciation charged in the financial statements	1,377	(206)
Tax losses arising	12,241	8,458
Impairment and revaluation losses on properties	1,538	476
	15,156	8,728

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

38. ACQUISITION OF SUBSIDIARIES

On 24th June, 2002, the Company acquired 65% interest in and the shareholder's loan to Wintime, for a consideration of HK\$43.2 million, satisfied by the disposal of the entire interest in Tenways, details of which are set out in note 39.

On 2nd December, 2002, the Company and its subsidiaries completed the following acquisitions:

- the entire issued share capital of and shareholder's loan to Shropshire for a fair value of HK\$108 million satisfied by the issue of 366,666,666 shares in the Company at HK\$0.30 per share.
- the entire issued share capital of and shareholder's loan to Rosedale Hotel Group Limited at a consideration of HK\$250 million, satisfied by cash.
- the entire issued share capital of and shareholder's loan to Makerston, at a consideration of HK\$515 million satisfied by cash of HK\$150 million and a promissory note in the principal amount of HK\$365 million as detailed in note 36.

Notes to the Financial Statements

For the year ended 31st December, 2002

38. ACQUISITION OF SUBSIDIARIES (Continued)

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Net assets acquired:		
Property, plant and equipment	1,185,466	—
Payment for investments	108,000	—
Investments in securities	—	81
Loan receivable from an investee company	—	44,201
Properties held for sale	51,893	83,180
Inventories	6,140	—
Trade and other receivables	14,782	4,528
Bank balances and cash	9,459	—
Trade and other payables	(49,676)	(2,990)
Bank borrowings	(382,993)	(23,000)
Net assets	943,071	106,000
Less: Interest previously acquired and classified as an associate	(8,075)	—
	934,996	106,000
Negative goodwill arising on acquisition	(18,796)	—
Total consideration	916,200	106,000

Notes to the Financial Statements

For the year ended 31st December, 2002

38. ACQUISITION OF SUBSIDIARIES (Continued)

	THE GROUP	
	2002 HK\$'000	2001 HK\$'000
Satisfied by:		
Shares allotted (note)	108,000	—
Promissory note	365,000	—
Interest in a subsidiary	43,200	—
Cash consideration paid	400,000	106,000
	<u>916,200</u>	<u>106,000</u>
Analysis of net outflow of cash and cash equivalents in connection with the acquisition of subsidiaries:		
Consideration paid	400,000	106,000
Bank balances and cash acquired	(9,459)	—
	<u>390,541</u>	<u>106,000</u>

The subsidiaries acquired during the year contributed HK\$62,013,000 (2001: HK\$36,000,000) to the Group's turnover and a loss of HK\$3,947,000 (2001: a loss of HK\$11,849,000) to the Group's loss from operations.

Note: The shares were issued at a premium of approximately 88% to the closing price of HK\$0.16 per share as quoted on the Stock Exchange on 2nd December, 2002, being the trading day immediately before the completion of the transaction for the acquisition of Shropshire. In view of the current market conditions and low trading volume of the Company's share on the Stock Exchange, the fair value of the assets acquired has been determined with reference to valuation made by Norton Appraisals Limited, an independent firm of professional valuers, on an open market basis which resulted in a difference of approximately HK\$49,333,333 between the market price and the fair value of the equity instrument.

Notes to the Financial Statements

For the year ended 31st December, 2002

39. DISPOSAL OF SUBSIDIARIES

On 24th June, 2002, the Company disposed of the entire interest in and the shareholders' loan to Tenways for a consideration of HK\$43.2 million. On 26th November, 2002, the Group discontinued its operation of toll highway at the time of disposal of Famelux, details of which are set out in note 10. The net assets of Famelux and Tenways to the date of disposal were as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Net assets disposed of:		
Property, plant and equipment	718,357	—
Investments in securities	81	—
Loan receivable from an investee company	41,277	—
Advances to contractors	9,439	—
Trade and other receivables	4,028	—
Bank balances and cash	7,469	—
Trade and other payables	(144,110)	—
Bank borrowings	(514,981)	—
Loan from minority shareholders of a subsidiary	(18,434)	—
	103,126	—
Net assets	103,126	—
Satisfied by:		
Interest in a subsidiary	43,200	—
Cash consideration received	59,926	—
	103,126	—
Analysis of net inflow of cash and cash equivalents in connection with the disposal of subsidiaries:		
Consideration received	59,926	—
Bank balances and cash disposed	(7,469)	—
Net inflow of cash and cash equivalent in respect of disposal of subsidiaries	52,457	—

Notes to the Financial Statements

For the year ended 31st December, 2002

39. DISPOSAL OF SUBSIDIARIES (Continued)

The subsidiaries disposed of during the year contributed HK\$66,418,000 (2001: HK\$Nil) to the Group's turnover and loss of HK\$45,968,000 (2001: loss of HK\$360,272,000) to the Group's loss from operations.

40. MAJOR NON-CASH TRANSACTIONS

During the year, the major non-cash transactions are as follows:

- Decrease in interest previously acquired and classified as an associates of approximately HK\$8,075,000 as part of the consideration paid for acquisition of a subsidiary;
- Consideration of HK\$43.2 million payable for the acquisition of Wintime was set off with the consideration of HK\$43.2 million receivable for the disposal of Tenways;
- Allotment and issue of shares of HK\$108 million and promissory notes payable of HK\$365 million as the whole or part of the consideration for the acquisition of subsidiaries;
- Finance lease arrangement in respect of assets with a total capital value at the inception of the leases of approximately HK\$3,277,000; and
- Trade and other payables of HK\$46,200,000 undertaken by Ananda Wing On, is included in trade and other receivables.

For the year ended 31st December, 2001, the major non-cash transaction being addition to construction in progress of HK\$188,331,000 was transferred from advances to contractors.

41. CAPITAL COMMITMENTS

Capital expenditure contracted for but not provided in the financial statements relating to:

- properties under/held for development
- properties under construction

THE GROUP	
2002 HK\$'000	2001 HK\$'000
43,108	26,902
129,393	129,393
172,501	156,295

42. OPERATING LEASE COMMITMENTS**The Group as lessee**

The Group made minimum lease payments of approximately HK\$2,959,000 (2001: HK\$2,790,000) under operating leases during the year in respect of office properties.

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	318	1,999
In the second to fifth year inclusive	-	318
	318	2,317

Operating lease payments represent rentals payable by the Group for certain of its office properties. Leases are negotiated for an average term of two years.

The Group as lessor

Property rental income earned during the year was approximately HK\$13,979,000 (2001: HK\$11,562,000). Most of the properties held have committed tenants for the next three to seven years.

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

	THE GROUP	
	2002	2001
	HK\$'000	HK\$'000
Within one year	20,781	9,479
In the second to fifth years inclusive	66,897	18,633
Over five years	101,916	994
	189,594	29,106

Notes to the Financial Statements

For the year ended 31st December, 2002

43. CONTINGENT LIABILITIES

Guarantees

	THE GROUP		THE COMPANY	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Guarantees given to bank in respect of bank facilities utilised by:				
Subsidiaries	–	–	387,347	–
Third parties	14,045	–	14,045	–
	14,045	–	401,392	–

Litigation

- (a) In August 1999, the architect of Paul Y. located in Guangzhou, the PRC, initiated legal proceedings against Eventic Limited ("Eventic"), a wholly-owned subsidiary of the Company in respect of claim for payment of service fees and other expenses of HK\$0.6 million and HK\$6.6 million respectively. Eventic engaged the architect for architectural services in respect of Paul Y. Plaza.

Eventic has vigorously defended the claims and made a counterclaim for loss and damages suffered due to insufficient supervision services provided by the architect.

In view of the counterclaim made by Eventic, the architect amended its total claims to HK\$7.7 million. At the date of this report, the proceedings are still ongoing and are at the stage of the exchange of documents. After taking into consideration the advice of the Group's legal counsel, the directors consider the outcome of the proceedings will not have a material adverse financial effect to the Group.

- (b) In July 2001, Huizhou World Express Property Ltd. ("Huizhou World Express"), an indirect non-wholly owned subsidiary of the Company, as the developer, initiated legal proceedings against the Huizhou Municipal Government of the Guangdong Province, the PRC, in its capacity as the guarantor of Huizhou Jia Cheng Group Co., Ltd. ("Huizhou Jia Cheng"), the main contractor in the construction of Hongkong Macau Square, under a guarantee letter dated 7th September, 1994 executed by the Huizhou Municipal Government in favour of Huizhou World Express was RMB243.6 million, being the construction costs of RMB167.5 million paid by Huizhou World Express to Huizhou Jia Cheng together with the damages for the amount of RMB76.1 million.

As at the date of this report, Huizhou World Express is awaiting for hearing of the case. At this stage, the outcome cannot be predicted with certainty. As the total construction costs of Hongkong Macau Square has already been written off, the directors are of the opinion that there is unlikely to be any material adverse financial impact on the Group in the event that the final judgement is not in favour of Huizhou World Express.

43. CONTINGENT LIABILITIES (Continued)**Litigation (Continued)**

- (c) In June 2002, a sub-contractor of Paul Y. Plaza initiated legal proceedings against Eventic in respect of a claim for payment of sub-contract works for approximately RMB5.2 million.

Eventic has vigorously defended the claim as there was no contractual relationship between Eventic and the sub-contractor. Eventic has also made a counterclaim and/or set off against the sub-contractor for the balance of unused advance payment and overpayment of approximately RMB4.2 million and RMB0.8 million respectively paid to the sub-contractor.

At the date of this report, the proceedings are still ongoing. The directors are of the opinion that there is unlikely to be any material adverse financial impact on the Group in the event that the final judgement is not in favour of Eventic.

44. PLEDGE OF ASSETS

At 31st December, 2002 and 2001, the Group has pledged the following assets for:

(a) Bank borrowings

- Investment properties with a carrying value of HK\$Nil (2001: HK\$13,750,000).
- Certain part of a hotel property (including its integral part) with a carrying value of HK\$650,000,000 (2001: HK\$36,026,000).
- Certain part of properties under/held for development with a carrying value of HK\$16,628,000 (2001: Nil).
- A fixed charge over all the revenue and a floating charge over all the assets of Rosedale Park Limited, a wholly-owned subsidiary, engaging in hotel operation in Hong Kong.
- A fixed charge over all the shares in Hey Wealth Limited, a wholly owned subsidiary of the Company which holds the title of a hotel property in Hong Kong.
- In 2001, Shenzhen Longchen Xinyuan Industrial Co., Ltd., pledged its right to receive toll fee income to a bank to secure the credit facilities. The pledge was released from the Group following the disposal of the Group's interest in Fameluxe during the year.
- Bank deposits of HK\$Nil (2001: HK\$8,427,000).

(b) Promissory note

- A fixed charge over the entire issued share capital of and shareholders' loan to Makerston, and its subsidiaries holding the 95% interest in Rosedale Hotel & Suites ■ Beijing.

Notes to the Financial Statements

For the year ended 31st December, 2002

45. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

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

46. POST BALANCE SHEET EVENTS

The following events occurred subsequent to the balance sheet date:

- (a) On 23rd March, 2003 the remaining balance of HK\$46,200,000 in respect of the acquisition of Luoyang Golden Gulf previously agreed to be settled on or before 31st December, 2002, detailed in note 22, was extended to 30th April, 2003.
- (b) On 1st April, 2003, a wholly-owned subsidiary of the Company entered into a conditional sale and purchase agreement with an independent third party for the disposal of the entire issued share capital of Meiner Investment Limited ("Meiner") and the shareholders' loan of approximately HK\$80,000,000, for a consideration of RMB35,000,000. Meiner, through its subsidiary, Shenzhen SEZ Development Centre Co., Ltd., was engaged in property investment and trading in the PRC. The consideration approximates the carrying value of Meiner and its subsidiary, resulting in no material profit or loss on disposal.

47. RELATED PARTY TRANSACTIONS AND BALANCES

During the year, the Group had interest expenses of approximately HK\$5,131,000 (2001: HK\$9,876,000) to CSH. The interest charge was determined by both parties with reference to the prevailing market rate.

Details of the balances with related companies at the balance sheet date are disclosed in notes 23 and 33.

Notes to the Financial Statements

For the year ended 31st December, 2002

48. PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries of the Company at 31st December, 2002 are as follows:

Name of subsidiary	Issued and fully paid ordinary share capital/registered capital	Place of incorporation/registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly %	Indirectly %	
A-One Worldwide Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Allied Glory Investment Limited ("Allied Glory")	HK\$2	Hong Kong	–	82	Investment holding, Hong Kong
Alpha Sheen Development Limited	HK\$100	Hong Kong	–	100	Property investment, PRC
Beijing Harbour Plaza Co., Ltd. (Note 2)	US\$17,200,000	PRC	–	95	Hotel ownership and operation, PRC
Best Glory Limited ("Best Glory")	HK\$2	Hong Kong	–	70	Investment holding, Hong Kong
Bremer Assets Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Chang Jiang Resources Co. Ltd.	US\$1	BVI	–	100	Investment holding, Hong Kong
China-HK International Finance Limited	HK\$2	Hong Kong	–	100	Financial services, Hong Kong
China-HK International Securities Limited	HK\$26,800,000	Hong Kong	–	100	Investment holding, Hong Kong

Notes to the Financial Statements

For the year ended 31st December, 2002

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Issued and fully paid ordinary share capital/registered capital	Place of incorporation/registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly	Indirectly	
			%	%	
China Industrial Investment Corporation Limited	HK\$20	Hong Kong	–	100	Investment holding, Hong Kong
China Land Holdings Limited	US\$1	BVI	100	–	Investment holding, Hong Kong
China Land (HK) Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
China Land (PRC) Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Dionysus Investments Limited	US\$10	BVI	–	70	Investment holding, Hong Kong
DS Eastin Limited	HK\$20	Hong Kong	–	100	Investment holding, Hong Kong
Eventic Limited	HK\$2	Hong Kong	–	100	Investment holding, Hong Kong
Fast-Gain Worldwide Limited	US\$100	BVI	–	91	Investment holding, Hong Kong
Gladly Development Limited ("Gladly")	HK\$2	Hong Kong	–	70	Investment holding, Hong Kong

Notes to the Financial Statements

For the year ended 31st December, 2002

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Issued and fully paid ordinary share capital/registered capital	Place of incorporation/registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly	Indirectly	
			%	%	
Guang Zhou Jiang Nan Property Co., Ltd. (Note 1)	HK\$68,000,000	PRC	–	75	Property development, PRC
Hey Wealth Limited	HK\$2	Hong Kong	–	100	Property holding, Hong Kong
HMH China Investments Limited	CAD\$1,152,913	Bermuda	–	82	Investment holding, Canada
Hongkong Macau (China) Limited	HK\$200,000,000	Hong Kong	–	100	China investment, Hong Kong
Hongkong Macau (International) BVI Limited	US\$10	BVI	100	–	Investment holding, Hong Kong
Hongkong Macau (Nominees) Limited	HK\$2	Hong Kong	–	100	Nominee services, Hong Kong
Huizhou Best Glory Property Ltd. ("Huizhou Best Glory") (Notes 1 & 4)	HK\$31,878,000	PRC	–	70	Property development, PRC
Huizhou Gladly Property Ltd. ("Huizhou Gladly") (Notes 1 & 4)	HK\$11,020,000	PRC	–	70	Property development, PRC

Notes to the Financial Statements

For the year ended 31st December, 2002

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Issued and fully paid ordinary share capital/registered capital	Place of incorporation/registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly	Indirectly	
			%	%	
Huizhou World Express Property Ltd. ("Huizhou World Express") (Notes 1 & 4)	HK\$109,200,000	PRC	–	70	Property development, PRC
Lead Victory Investments Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Lucky Million Investments Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Makerston Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Meiner Investment Limited	HK\$1,000	Hong Kong	–	95	Investment holding, Hong Kong
Ming Hung (Holdings) Limited	HK\$1,591,158,590	Hong Kong	–	100	Investment holding, Hong Kong
Multi-Million Assets Limited	US\$1	BVI	–	82	Investment holding, Hong Kong
Pearlbound Properties Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Rosedale Group Management Limited (formerly China Land Group Management Limited)	HK\$2	Hong Kong	–	100	Management services, Hong Kong

Notes to the Financial Statements

For the year ended 31st December, 2002

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Issued and fully paid ordinary share capital/registered capital	Place of incorporation/registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly	Indirectly	
			%	%	
Rosedale Hotel Group Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Rosedale Hotel Guangzhou Co., Ltd. ("Rosedale Guangzhou") (Notes 1 & 3)	HK\$89,700,000	PRC	–	81	Hotel operation, PRC
Rosedale Park Limited	HK\$2	Hong Kong	–	100	Hotel operation, Hong Kong
Shenzhen SEZ Development Centre Co., Ltd. (Note 1)	HK\$290,000,000	PRC	–	86	Development, holding and trading of properties, PRC
Shropshire Property Limited	US\$10 (preference) US\$1,000 (ordinary)	BVI	–	100	Investment holding, Hong Kong
Star Vision Holdings Limited	HK\$500,000	Hong Kong	–	100	Restaurants operation, Hong Kong

Notes to the Financial Statements

For the year ended 31st December, 2002

48. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Issued and fully paid ordinary share capital/registered capital	Place of incorporation/registration	Proportion of nominal value of issued share capital/registered capital held by the Company		Principal activities and place of operation
			Directly	Indirectly	
			%	%	
Success Profits Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
World Express Limited ("World Express")	HK\$2	Hong Kong	–	70	Investment holding, Hong Kong
Yarra Group Limited	US\$1	BVI	–	100	Investment holding, Hong Kong
Yetwide Investments Limited	HK\$2	Hong Kong	–	100	Property development, PRC

Notes:

1. This is a PRC Sino-foreign co-operative joint venture.
2. This is a PRC Sino-foreign equity joint venture.
3. Allied Glory is entitled to recoup its total investment (including capital and interest) from the after-tax earnings of Rosedale Guangzhou before any amounts are distributed. Thereafter, the after-tax earnings of Rosedale Guangzhou are to be distributed as 80% and 20% to Allied Glory and another joint venture partner respectively.
4. Best Glory, Gladly and World Express are entitled to recoup their total investments from the after-tax earnings of Huizhou Best Glory, Huizhou Gladly and Huizhou World Express respectively before any amounts are distributed. Thereafter, the after-tax earnings of Huizhou Best Glory, Huizhou Gladly and Huizhou World Express are to be distributed as 90% to Best Glory, Gladly and World Express respectively and 10% to the other joint venture partners respectively.

None of the subsidiaries had any debt securities subsisting at the end of the year or at any time during the year.

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