

# Notes on the Financial Statements

*(Expressed in Hong Kong dollars)*

## 1. SIGNIFICANT ACCOUNTING POLICIES

### (a) Statement of compliance

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

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

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

### (c) Subsidiaries

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

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

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

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

*(Expressed in Hong Kong dollars)*

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

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

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

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

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

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

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

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

## Notes on the Financial Statements (Continued)

*(Expressed in Hong Kong dollars)*

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (e) Goodwill

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

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

Negative goodwill arising on acquisitions of controlled subsidiaries and associates represents the excess of the Group's share of the fair value of the identifiable assets and liabilities acquired over the cost of the acquisition. To the extent that negative goodwill relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, it is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the consolidated profit and loss account over the useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the consolidated profit and loss account.

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

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (f) Fixed assets

- (i) Fixed assets are carried in the balance sheets on the following bases:
  - investment properties with an unexpired lease term of more than 20 years are stated in the balance sheet at their open market value which is assessed annually by external qualified valuers;
  - land and buildings, hotel and other properties are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1(i)).
  - furniture, fixtures and equipment and other fixed assets are stated in the balance sheet at cost less accumulated depreciation (see note 1(h)) and impairment losses (see note 1 (i)).
- (ii) Changes arising on the revaluation of investment properties are generally dealt with in reserves. The only exceptions are as follows:
  - when a deficit arises on revaluation, it will be charged to the profit and loss account, if and to the extent that it exceeds the amount held in the reserve in respect of the portfolio of investment properties, immediately prior to the revaluation; and
  - when a surplus arises on revaluation, it will be credited to the profit and loss account, if and to the extent that a deficit on revaluation in respect of the portfolio of investment properties, had previously been charged to the profit and loss account.
- (iii) Subsequent expenditure relating to a fixed asset that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the originally assessed standard of performance of the existing asset, will flow to the Group. All other subsequent expenditure is recognised as an expense in the period in which it is incurred.
- (iv) Gains or losses arising from the retirement or disposal of a fixed asset are determined as the difference between the estimated net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account on the date of retirement or disposal. On disposal of an investment property, the related portion of surpluses or deficits previously taken to the investment properties revaluation reserve is also transferred to the profit and loss account for the year.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (g) Properties under development

(i) *Properties under development held for long term purposes*

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

(ii) *Properties under development held for sale*

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

(iii) Properties under development are transferred to fixed assets or properties held for sale upon the date of practical completion.

#### (h) Depreciation

(i) *Investment properties*

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

(ii) *Properties under development*

No depreciation is provided on properties under development.

(iii) *Hotel properties*

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

(iv) *Land and buildings and other properties*

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

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (h) Depreciation (Continued)

##### (v) Other fixed assets

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

Furniture, fixtures and equipment	– 3 to 5 years
Motor vehicles	– 6 <sup>2</sup> / <sub>3</sub> years

#### (i) Impairment of assets

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

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

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

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

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

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

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

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

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (j) Investments in securities

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

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

#### (k) Properties held for sale

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

#### (l) Other inventories

Inventories are carried at the lower of cost and net realisable value. Cost represents purchase cost computed on a first in first out basis. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

*(Expressed in Hong Kong dollars)*

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

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

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the cash flow statement.

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

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

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

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

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

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

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (p) Revenue recognition

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

- (i) Revenue arising from the sale of properties is recognised upon the completion of the sales agreements or the issue of an occupation permit by the relevant government authorities, whichever is the later. Deposits and instalments received on properties sold prior to the date of revenue recognition are included in the balance sheet under trade and other payables.
- (ii) Rental income receivable under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset.
- (iii) Hotel and club revenue from room rental, food and beverage sales and other ancillary services is recognised when the services are rendered.
- (iv) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and the rates applicable.
- (v) Management fees are recognised when the services are rendered.

#### (q) Translation of foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at the exchange rates ruling at the transaction dates. Monetary assets and liabilities in foreign currencies and the financial statements of overseas subsidiaries and associates are translated into Hong Kong dollars at the exchange rates ruling at the balance sheet date.

The result of overseas subsidiaries and associates are translated into Hong Kong dollars at the average exchange rate for the year, balance sheet items are translated into Hong Kong dollars at the rates of exchange ruling at the balance sheet date.

Exchange gains and losses on foreign currency translation are dealt with in the profit and loss account, except for those arising from the translation of the financial statements of overseas subsidiaries and associates which are taken directly to exchange reserve.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### (r) Operating leases

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

#### (s) Employee benefits

- (i) Salaries, annual bonuses, paid annual leave, leave passage and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.
- (ii) Contributions to Mandatory Provident Funds as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance and central pension schemes operated by the local government in the PRC are recognised as an expense in the profit and loss account as incurred, except to the extent that they are included in the cost of intangible assets and inventories not yet recognised as an expense.
- (iii) Contributions to the social insurance fund schemes operated by the local governments in Vietnam are capitalised as part of properties under development when incurred during the construction period.
- (iv) Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

#### (t) Borrowing costs

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

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditures for the asset are being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

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

*(Expressed in Hong Kong dollars)*

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

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

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

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

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

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

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

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

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

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

Unallocated items mainly comprise financial and corporate assets, interest-bearing borrowings and corporate expenses.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 2. TURNOVER

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

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

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Proceeds on sale of properties	<b>151,988</b>	194,916
Rental income	<b>7,986</b>	6,643
Hotel and club operations	<b>59,263</b>	39,898
Management fee income	<b>5,265</b>	5,132
	<u><b>224,502</b></u>	<u>246,589</u>

### 3. OTHER REVENUE AND OTHER NET INCOME/(LOSS)

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
<b>(a) Other revenue</b>		
Interest income	<b>1,828</b>	3,408
Dividend income from non-trading listed investments	<b>13</b>	17
Others	<b>2,266</b>	743
	<u><b>4,107</b></u>	<u>4,168</u>

#### **(b) Other net income/(loss)**

Exchange gain/(loss)	<b>1,799</b>	(1,402)
Profit on disposal of fixed assets	–	2
Loss on disposal of properties under development	–	(8,402)
Others	<b>2,136</b>	–
	<u><b>3,935</b></u>	<u>(9,802)</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

Profit from ordinary activities before taxation is arrived at after charging/(crediting):

	2002 \$'000	2001 \$'000
<b>(a) Finance costs</b>		
Interest on bank overdrafts and other advances repayable within five years	9,049	17,280
Interest paid on amounts due to an affiliated company	3,966	9,505
Other borrowing costs	721	671
	<u>13,736</u>	<u>27,456</u>
Total borrowing costs	13,736	27,456
Less: Borrowing costs capitalised into properties under development *	(2,941)	(6,749)
	<u>10,795</u>	<u>20,707</u>

\* The borrowing costs have been capitalised at a rate of 3% per annum (2001: 3-8% per annum) for properties under development.

	2002 \$'000	2001 \$'000
<b>(b) Staff costs</b>		
Contributions to defined contribution retirement schemes	771	657
Salaries, wages and other benefits	16,263	15,349
	<u>17,034</u>	<u>16,006</u>

<b>(c) Other items</b>		
Cost of properties sold	95,014	132,765
Cost of inventories	7,428	7,044
Depreciation	50,479	31,812
Auditors' remuneration	1,018	906
Operating lease charges for hire of premises	254	254
Rentals receivable from investment properties less direct outgoings	(6,120)	(4,854)
Other rental income less direct outgoings	<u>(15,696)</u>	<u>(1,392)</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 5. DIRECTORS' REMUNERATION

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

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Fees	47	39
Salaries and other emoluments	480	480
Discretionary and performance related bonuses	40	40
Retirement scheme contributions	—	—
	<u>567</u>	<u>559</u>

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

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Fees	<u>10</u>	<u>10</u>

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

	<b>2002</b>	2001
	<b>Number of</b>	Number of
	<b>Directors</b>	Directors
Nil – \$1,000,000	<u>6</u>	<u>6</u>

### 6. MANAGEMENT REMUNERATION

- (a) The aggregate amount of the remuneration of the five (2001: four) employees who, not being directors of the Company, are amongst the top five highest paid individuals, including directors, employed by the Group is as follows:

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Salaries and other emoluments	2,772	1,977
Discretionary and performance related bonuses	527	168
Retirement scheme contributions	12	—
	<u>3,311</u>	<u>2,145</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 6. MANAGEMENT REMUNERATION (Continued)

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

	<b>2002</b> <b>Number of</b> <b>Individuals</b>	2001 Number of Individuals
Nil – \$1,000,000	<u><b>5</b></u>	<u><b>4</b></u>

### 7. TAXATION

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

	<b>2002</b> <b>\$'000</b>	2001 \$'000
Overseas taxation		
– current year	<b>8,784</b>	7,878
– prior year	<u><b>(15,185)</b></u>	<u>(20,438)</u>
	<b>(6,401)</b>	(12,560)
Share of associates' taxation	<u><b>3,192</b></u>	<u>1,459</u>
Taxation credit	<u><b>(3,209)</b></u>	<u>(11,101)</u>

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

(b) Taxation in the balance sheets represents:

	<b>The Group</b>		<b>The Company</b>	
	<b>2002</b> <b>\$'000</b>	2001 \$'000	<b>2002</b> <b>\$'000</b>	2001 \$'000
Provision for overseas taxation for the year	<b>8,784</b>	7,878	<b>1,515</b>	729
Balance of overseas tax provision/(overprovision) relating to prior years	<u><b>23,005</b></u>	<u>34,024</u>	<u>–</u>	<u>(31)</u>
	<u><b>31,789</b></u>	<u>41,902</u>	<u><b>1,515</b></u>	<u>698</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 7. TAXATION (Continued)

- (c) No provision for deferred taxation has been made in the financial statements as the Group has net deferred tax assets, the future realisation of which is uncertain. The major component of the deferred tax assets not recognised is as follows:

	2002 \$'000	2001 \$'000
Future benefit of tax losses	<u>1,356</u>	<u>1,510</u>

### 8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The consolidated profit attributable to shareholders includes a profit of \$45,691,000 (2001: loss of \$1,721,000) which has been dealt with in the financial statements of the Company.

### 9. DIVIDENDS

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

	2002 \$'000	2001 \$'000
Interim dividend declared and paid of \$0.01 (2001: \$nil) per share	<u>3,402</u>	<u>—</u>

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

	2002 \$'000	2001 \$'000
Final dividend in respect of the previous financial year, approved and paid during the year, of \$nil (2001: \$nil) per share	<u>—</u>	<u>—</u>

### 10. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to shareholders of \$28,315,000 (2001: \$27,293,000) and on the 340,200,000 ordinary shares in issue during both years 2002 and 2001.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 11. SEGMENT REPORTING

#### (a) Geographical segments by the location of assets

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

#### Geographical segments

	Year ended 31 December											
	Macau		Mainland China		Vietnam		Canada		Others		Total	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Turnover	158,305	204,233	38,422	34,519	14,291	-	1,518	1,643	11,966	6,194	224,502	246,589
Other revenue												
- allocated	931	648	-	-	-	-	-	-	-	-	931	648
- unallocated	-	-	-	-	-	-	-	-	3,176	3,520	3,176	3,520
Total revenue	<u>159,236</u>	<u>204,881</u>	<u>38,422</u>	<u>34,519</u>	<u>14,291</u>	<u>-</u>	<u>1,518</u>	<u>1,643</u>	<u>15,142</u>	<u>9,714</u>	<u>228,609</u>	<u>250,757</u>
Segment result	37,294	37,863	(16,208)	(26,024)	(13,205)	(279)	204	(27)	7,946	(7,628)	16,031	3,905
Finance costs	(2,453)	(11,200)	(5,846)	(9,468)	-	-	-	-	(2,496)	(39)	(10,795)	(20,707)
Share of profits												
less losses of												
associates	(13)	(12)	7,950	18,290	7,589	8,577	3,365	4,585	(5)	(3)	18,886	31,437
Profit/(loss) from												
ordinary activities												
before taxation	34,828	26,651	(14,104)	(17,202)	(5,616)	8,298	3,569	4,558	5,445	(7,670)	24,122	14,635
Taxation credit											3,209	11,101
Profit from ordinary												
activities after												
taxation											27,331	25,736
Minority interests	(15,938)	(22,921)	14,904	23,280	4,871	103	-	-	(2,853)	1,095	984	1,557
Profit attributable												
to shareholders											<u>28,315</u>	<u>27,293</u>
Depreciation and												
amortisation	4,244	5,463	26,251	26,317	19,981	29	-	-	3	3	50,479	31,812

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

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 11. SEGMENT REPORTING (Continued)

#### Geographical segments (Continued)

	Year ended 31 December											
	Macau		Mainland China		Vietnam		Canada		Others		Total	
	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000	2002 \$'000	2001 \$'000
Capital expenditure incurred during year	<u>17,342</u>	<u>377</u>	<u>1,735</u>	<u>1,543</u>	<u>13,637</u>	<u>5,677</u>	<u>-</u>	<u>-</u>	<u>4,498</u>	<u>-</u>	<u>37,212</u>	<u>7,597</u>
Segment assets #	<u>664,017</u>	<u>739,349</u>	<u>214,324</u>	<u>240,286</u>	<u>735,033</u>	<u>735,689</u>	<u>-</u>	<u>-</u>	<u>18,182</u>	<u>22,278</u>	<u>1,631,556</u>	<u>1,737,602</u>
Interest in associates	<u>-</u>	<u>-</u>	<u>141,031</u>	<u>147,084</u>	<u>174,718</u>	<u>178,923</u>	<u>37,522</u>	<u>38,768</u>	<u>5,030</u>	<u>5,039</u>	<u>358,301</u>	<u>369,814</u>
Unallocated assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>162,780</u>	<u>59,217</u>	<u>162,780</u>	<u>59,217</u>
Total assets	<u>664,017</u>	<u>739,349</u>	<u>355,355</u>	<u>387,370</u>	<u>909,751</u>	<u>914,612</u>	<u>37,522</u>	<u>38,768</u>	<u>185,992</u>	<u>86,534</u>	<u>2,152,637</u>	<u>2,166,633</u>
Segment liabilities #	<u>71,259</u>	<u>74,068</u>	<u>76,425</u>	<u>99,068</u>	<u>13,955</u>	<u>16,425</u>	<u>7</u>	<u>6</u>	<u>199,388</u>	<u>179,381</u>	<u>361,034</u>	<u>368,948</u>
Unallocated liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>296,682</u>	<u>304,097</u>	<u>296,682</u>	<u>304,097</u>
Total liabilities	<u>71,259</u>	<u>74,068</u>	<u>76,425</u>	<u>99,068</u>	<u>13,955</u>	<u>16,425</u>	<u>7</u>	<u>6</u>	<u>496,070</u>	<u>483,478</u>	<u>657,716</u>	<u>673,045</u>
Minority interests											<u>190,997</u>	<u>212,562</u>

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

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 11. SEGMENT REPORTING (Continued)

#### (b) Business segments

The Group comprises the following main business segments:

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

#### Business segments

	Year ended 31 December							
	Property development, investment and management		Hotel and club operations		Unallocated		Total	
	2002	2001	2002	2001	2002	2001	2002	2001
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue from external customers	165,239	206,691	59,263	39,898	-	-	224,502	246,589
Segment assets #	822,163	907,567	1,162,663	1,194,840	167,811	64,256	2,152,637	2,166,663
Contribution to profit/ (loss) from operations	46,828	33,690	(30,797)	(29,785)	-	-	16,031	3,905
Capital expenditure incurred during the year	21,830	326	15,382	7,271	-	-	37,212	7,597

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

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 12. FIXED ASSETS

#### (a) The Group

	Land and buildings \$'000	Hotel properties \$'000	Other properties \$'000	Furniture, fixtures and equipment \$'000	Motor vehicles \$'000	Sub-total \$'000	Investment properties \$'000	Total \$'000
<b>Cost or valuation:</b>								
At 1 January 2002	-	220,904	89,886	96,859	6,123	413,772	143,800	557,572
Additions	4,013	593	-	2,584	753	7,943	-	7,943
Disposals	-	(19)	-	(5)	(258)	(282)	-	(282)
Transfer from properties under development	-	672,653	-	74,627	-	747,280	-	747,280
Exchange adjustments	-	(1,683)	-	(661)	(15)	(2,359)	-	(2,359)
At 31 December 2002	4,013	892,448	89,886	173,404	6,603	1,166,354	143,800	1,310,154
<b>Representing:</b>								
Cost	4,013	892,448	89,886	173,404	6,603	1,166,354	-	1,166,354
Valuation - 2002	-	-	-	-	-	-	143,800	143,800
	4,013	892,448	89,886	173,404	6,603	1,166,354	143,800	1,310,154
<b>Accumulated depreciation:</b>								
At 1 January 2002	-	24,400	12,607	57,267	4,460	98,734	-	98,734
Charge for the year	-	15,131	3,594	31,249	505	50,479	-	50,479
Written back on disposals	-	(1)	-	(2)	(245)	(248)	-	(248)
Exchange adjustments	-	(185)	-	(364)	(8)	(557)	-	(557)
At 31 December 2002	-	39,345	16,201	88,150	4,712	148,408	-	148,408
<b>Net book value:</b>								
At 31 December 2002	4,013	853,103	73,685	85,254	1,891	1,017,946	143,800	1,161,746
At 31 December 2001	-	196,504	77,279	39,592	1,663	315,038	143,800	458,838

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 12. FIXED ASSETS (Continued)

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

- (i) The investment properties comprise various units of Luso International Bank Building and Ocean Gardens in Macau. The lease of Luso International Bank Building is for a period of 50 years, commencing from 6 May 1957 and thereafter renewable for successive periods of 10 years up to 19 December 2049. The lease of Ocean Gardens is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.
- (ii) The investment properties were revalued by Chesterton Petty Limited, an independent firm of professional surveyors, at 31 December 2002 on an open market value basis, after taking into consideration the net rental income allowing for reversionary potential.
- (iii) The formal transfer of titles of the relevant units of the investment properties in Luso International Bank Building with a value of \$23,000,000 (2001: \$23,000,000) into the subsidiary's name has not been completed (note 27). Although the titles have not yet been transferred, the directors are of the opinion that the subsidiary has acquired beneficial title to these properties at 31 December 2002.
- (iv) At 31 December 2002, certain investment properties, other properties and a hotel property together with its integral fixtures and fittings with a net book value of \$404,626,000 (2001: \$434,574,000) were mortgaged to various banks to secure banking facilities granted to the Group.
- (v) Hotel properties comprise land use rights for 30 years commencing on 21 August 1995 and 48 years commencing on 7 May 1994 granted to the Group's subsidiaries in Wuhan, the PRC and Vietnam respectively.
- (vi) Other properties comprise a club house situated in Ocean Gardens. The lease of the club house is for a period of 25 years, commencing from 5 September 1980 and thereafter renewable for successive periods of 10 years up to 19 December 2049.
- (vii) The Group leases out investment properties under operating leases, which generally run for an initial period of one to three years, with an option to renew the lease after that date at which time all terms are renegotiated. None of the leases includes contingent rentals.

The gross amount of investment properties of the Group held for use in operating leases was \$143,800,000 (2001: \$143,800,000).

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 12. FIXED ASSETS (Continued)

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

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

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Within 1 year	<b>5,865</b>	6,222
After 1 year but within 5 years	<b>2,343</b>	3,544
	<u><b>8,208</b></u>	<u>9,766</u>

#### (b) The Company

	<b>Land and buildings</b>	<b>Furniture, fixtures and equipment</b>	<b>Total</b>
	\$'000	\$'000	\$'000
<b>Cost:</b>			
At 1 January 2002	—	532	532
Additions	<u>4,013</u>	<u>485</u>	<u>4,498</u>
At 31 December 2002	<u>4,013</u>	<u>1,017</u>	<u>5,030</u>
<b>Accumulated depreciation:</b>			
At 1 January 2002	—	528	528
Charge for the year	<u>—</u>	<u>3</u>	<u>3</u>
At 31 December 2002	<u>—</u>	<u>531</u>	<u>531</u>
<b>Net book value:</b>			
At 31 December 2002	<u>4,013</u>	<u>486</u>	<u>4,499</u>
At 31 December 2001	<u>—</u>	<u>4</u>	<u>4</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 12. FIXED ASSETS (Continued)

(c) The analysis of the net book value of land and buildings is as follows:

	The Group and the Company	
	2002	2001
	\$'000	\$'000
In Hong Kong under long leases	<u>4,013</u>	<u>—</u>

### 13. PROPERTIES UNDER DEVELOPMENT

	The Group	
	2002	2001
	\$'000	\$'000
<b>Non-current assets</b>		
Property under development held for long term purposes – <i>note (a)</i>	—	731,163
<b>Current assets</b>		
Properties under development held for sale – <i>note (b)</i>	<u>165,841</u>	<u>149,747</u>
	<u>165,841</u>	<u>880,910</u>

#### (a) Property under development held for long term purposes

The property in Ho Chi Minh City, Socialist Republic of Vietnam, has been developed into a building complex which includes a hotel, serviced apartments and offices for investment purposes ("hotel development"). The cost of hotel development was transferred to fixed assets upon the completion of the construction in 2002.

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

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

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

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

*(Expressed in Hong Kong dollars)*

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

#### **(b) Properties under development held for sale** (Continued)

Under the terms of an agreement dated 1 March 1983 and a supplementary agreement dated 20 June 1994 and a revised agreement on 6 August 1999 with the Government of Macau in respect of the leasehold land, the subsidiary had undertaken to complete the remaining phases of the development by various specified dates with the whole project due to be completed by 31 December 2001. On 5 October 2001, the Macau SAR Government agreed to extend the final completion date up to 31 December 2003 without any penalty.

Whilst construction work has already commenced on all the remaining phases of the development, the directors were of the view that one of the phases would not be completed by the final completion date of 31 December 2003. Delays in completing the various phases of up to 180 days would give rise to the possibility of fines being imposed by the Macau SAR Government in a manner more particularly described in note 26(c). Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary.

The directors are of the view that the remaining phase of the development project will be completed by 31 December 2004 and, accordingly, an application to further extend the completion date to 31 December 2004 will be lodged by the subsidiary. Based on experience in similar successful applications, the directors are of the view that the extension of the completion date to 31 December 2004 will be granted by the Macau SAR Government.

The subsidiary has mortgaged its leasehold land on Taipa Island to a bank to secure banking facilities to the extent of \$85,000,000 (2001: \$85,000,000) granted to the subsidiary. At 31 December 2002, such facilities had been utilised up to \$21,000,000 (2001: \$12,900,000) (see note 20).

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 14. INTEREST IN SUBSIDIARIES

	<b>The Company</b>	
	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Unlisted shares, at cost	<b>49,291</b>	49,314
Less: Dividend paid out of pre-acquisition profits	<b>(4,156)</b>	(4,156)
Provision	<b>(5,468)</b>	(5,468)
	<b>39,667</b>	39,690
Amounts due from subsidiaries		
– Loan account	–	6,561
– Current account	<b>700,919</b>	690,981
	<b>740,586</b>	737,232
Amounts due to subsidiaries	<b>27,972</b>	52,025

Amounts due from/to subsidiaries are unsecured, interest free and will not be settled within next twelve months.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 14. INTEREST IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

Name of company	Place of incorporation/ operation	Issued equity capital	attributable to the Group	Percentage of equity		Principal activity
				held by the Company	held by subsidiaries	
Ocean Incorporation Ltd.	Macau	Two quotas of Ptc9,999,000 and Ptc1,000 respectively totalling Ptc10,000,000	100%	100%	–	Property investment and dealing
Ajoint Inc*	United States of America	100 shares of US\$10 each and US\$699,000 additional paid in capital	100%	100%	–	Dormant
Carrigold Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Investment holding
Compton Developments Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Investment holding
Crichton Assets Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Investment holding
Labond Developments Limited*	British Virgin Islands	1 share of US\$1	100%	100%	–	Investment holding
KSB Enterprises Limited*	Canada	1 share of no par value issued at CAD\$1	100%	100%	–	Investment holding
Bardney Investment Limited*	Republic of Liberia/Macau	2 shares of no par value issued at HK\$5,000 each	100%	–	100%	Investment holding
Lam Ho Investments Pte Limited	Singapore	5,000,000 shares of S\$1 each	90.10%	–	90.10%	Investment holding

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 14. INTEREST IN SUBSIDIARIES (Continued)

Name of company	Place of incorporation/ operation	Issued equity capital	attributable to the Group	Percentage of equity		Principal activity
				held by the Company	held by subsidiaries	
Shun Seng International Limited	Hong Kong	100,000 shares of HK\$1 each	75.01%	–	75.01%	Investment holding
Golden Crown Development Limited (“Golden Crown”)	Macau	70,000,000 shares of Ptc1 each	70.61%	–	70.61%	Property development
Ocean Gardens Management Company Limited*	Macau	Two quotas of Ptc99,000 and Ptc1,000 respectively totalling Ptc100,000	69.90%	–	99%	Building management
Honister Investment Limited	Republic of Liberia/Macau	2 shares of no par value issued at HK\$5,000 each	70.61%	–	100%	Investment holding
Ocean Club Recreational Company Limited	Macau	100,000 shares of Ptc1 each	70.61%	–	100%	Club operation
Ocean Place Joint Venture Company Limited (“OPJV”)	Socialist Republic of Vietnam	US\$29,100,000	63.07%	–	70%	Development of a hotel
Hubei Qing Chuan Hotel Company Limited*	The People’s Republic of China (“PRC”)	US\$16,300,000	41.26%	–	55%	Operation of a hotel
Lam Ho Finance Limited *	British Virgin Islands	1 share of US\$1	90.10%	–	100%	Financial investment

\* The accounts of the subsidiaries not audited by KPMG reflect total assets and total turnover constituting approximately 15% (2001: 19%) and 19% (2001: 28%) of the respective consolidated totals.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 15. INTEREST IN ASSOCIATES

	<b>The Group</b>		<b>The Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Unlisted shares, at cost	—	—	5	5
Share of net assets	153,332	141,187	—	—
Interest free loans to associates	204,969	228,627	165,337	177,003
	<u>358,301</u>	<u>369,814</u>	<u>165,342</u>	<u>177,008</u>

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

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

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 15. INTEREST IN ASSOCIATES (Continued)

- (a) Chateau Ottawa Hotel Inc owns a hotel in Ottawa licensed with Sheraton Inns Canada operating as the Sheraton Ottawa Hotel.
- (b) Shun Cheong International Limited is engaged in properties investment in the PRC.
- (c) PAL has a wholly owned subsidiary, Glynhill Investments (Vietnam) Pte Ltd (“Glynhill”), which holds 51% in Chains Caravelle Hotel Joint Venture Company Limited (“CCH”). CCH is a joint venture company established under the laws of the Socialist Republic of Vietnam (“Vietnam”) between Glynhill and a local Vietnamese entity for the purpose of developing, renovating and operating the Caravelle Hotel in Vietnam. In accordance with the joint venture agreement and the subsequent increase in registered share capital on 19 May 1997, the legal capital of CCH is \$143.8 million (US\$18.6 million). Glynhill contributed \$73.3 million (US\$9.5 million), and the remaining balance of \$70.5 million (US\$9.1 million) was contributed by the Vietnamese joint venture partner in the form of the right of use a parcel of land (2,612 sq.m.) for a term of 40 years. In addition, Glynhill is committed to secure on behalf of CCH or, alternatively, to provide further finance of up to \$305 million (US\$39.4 million) in the form of an interest bearing shareholder’s loan towards the costs of developing and renovating the hotel and for general working capital requirements. As at 31 December 2002, PAL has advanced interest bearing loans totalling \$332.6 million (US\$42.7 million) to CCH. The joint venture has a duration of 40 years from 8 October 1992 and may be extended for a further period subject to the mutual agreement of the joint venture partners and approval from the relevant local authority.
- (d) Crown Pacific is engaged in the development for resale and investment purposes of a residential compound in Beijing in the PRC through Beijing Hong Gong Garden Villa House Property Development Co Limited (“BHGG”), a Sino-foreign cooperative joint venture company established in the PRC with a local Beijing party. In accordance with the joint venture agreement, the legal capital of BHGG is approximately \$256 million (US\$33.1 million), which has been fully paid up. Crown Pacific is entitled to share 100% of the financial results and net assets of BHGG save for a distribution of profit of a fixed sum of HK\$2.8 million to the local Beijing party.

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

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

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 15. INTEREST IN ASSOCIATES (Continued)

The following supplementary financial information is disclosed relating to a principal associate, Crown Pacific, which is based on its audited consolidated financial statements for the year ended 31 December 2002:

#### Consolidated profit and loss account

	2002 \$'000	2001 \$'000
Turnover	9,979	—
Other revenue and gains	82,578	140,140
Profit from ordinary activities before taxation	33,125	76,205
Profit attributable to shareholders	<u>24,777</u>	<u>72,422</u>
Group's share of profit from ordinary activities before taxation	<u>7,950</u>	<u>18,289</u>

#### Consolidated balance sheet

	2002 \$'000	2001 \$'000
Long term assets	166,757	172,214
Current assets	792,519	877,164
Current liabilities	(371,648)	(436,527)
Long term liabilities	<u>(150,000)</u>	<u>(200,000)</u>
Shareholders' funds	<u>437,628</u>	<u>412,851</u>
Group's share of net assets	<u>105,031</u>	<u>99,084</u>

### 16. NON-TRADING INVESTMENTS

	The Group and the Company	
	2002 \$'000	2001 \$'000
Listed shares outside Hong Kong, at market value	<u>780</u>	<u>636</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 17. PROPERTIES HELD FOR SALE

Properties held for sale comprise:

**(a) Ocean Park held by the Company**

The property is freehold and situated in Singapore.

**(b) Heng Fa Chuen held by the Company**

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

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

*(i) Ocean Centre II*

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

*(ii) Keck Seng Industrial Centre III*

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

At 31 December 2002, the formal transfer of titles of the above properties with a carrying value of \$3,260,000 (2001: \$3,260,000) into the subsidiary's name had not been completed and the properties were still registered in the names of the previous owners (see also note 27). Although the titles have not been transferred, the directors are of the opinion that the subsidiary had acquired beneficial title to these properties at 31 December 2002.

*(iii) Ocean Gardens*

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

Certain of these properties with a carrying value of \$157,270,000 (2001: \$215,504,000) have been mortgaged to secure the subsidiary's banking facilities at 31 December 2002.

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 18. TRADE AND OTHER RECEIVABLES

	<b>The Group</b>		<b>The Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Amount expected to be recoverable:				
– within 1 year	<b>33,129</b>	32,187	<b>129</b>	4,680
– after 1 year	<b>348</b>	348	–	–
Trade and other receivables	<b><u>33,477</u></b>	<u>32,535</u>	<b><u>129</u></b>	<u>4,680</u>

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

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Current	<b>3,034</b>	6,548
1 to 3 months overdue	<b>20,186</b>	16,375
More than 12 months overdue	<b>7</b>	50
	<b><u>23,227</u></b>	<u>22,973</u>

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

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 19. CASH AND CASH EQUIVALENTS

	<b>The Group</b>		<b>The Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Deposits with banks and other financial institutions	<b>143,237</b>	40,876	<b>54,059</b>	3,210
Cash at bank and in hand	<b>19,075</b>	18,224	<b>427</b>	155
	<u>162,312</u>	<u>59,100</u>	<u>54,486</u>	<u>3,365</u>
Cash and cash equivalents in the balance sheet	<b>162,312</b>	59,100	<b>54,486</b>	3,365
Bank overdrafts ( <i>note 20</i> )	<b>(41)</b>	(273)		
	<u>162,271</u>	<u>58,827</u>		
Cash and cash equivalents in the cash flow statement	<b>162,271</b>	58,827		

### 20. BANK OVERDRAFTS AND LOANS

	<b>The Group</b>		<b>The Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Repayable within 1 year and included in current liabilities:				
Bank overdrafts ( <i>note 19</i> )	<b>41</b>	273	<b>8</b>	246
Bank loans	<b>141,160</b>	87,511	<b>70,589</b>	50,708
	<u>141,201</u>	<u>87,784</u>	<u>70,597</u>	<u>50,954</u>
Bank loans repayable after 1 year and included in non-current liabilities:				
Between 2 and 5 years	<b>129,194</b>	172,939	<b>—</b>	—
	<u>270,395</u>	<u>260,723</u>	<u>70,597</u>	<u>50,954</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 20. BANK OVERDRAFTS AND LOANS (Continued)

At 31 December 2002, the bank loans and overdrafts outstanding were secured as follows:

	<b>The Group</b>		<b>The Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Unsecured bank overdrafts	<u>41</u>	<u>273</u>	<u>8</u>	<u>246</u>
Bank loans				
– secured	48,005	50,551	–	–
– unsecured	<u>222,349</u>	<u>209,899</u>	<u>70,589</u>	<u>50,708</u>
	<u>270,354</u>	<u>260,450</u>	<u>70,589</u>	<u>50,708</u>
	<u>270,395</u>	<u>260,723</u>	<u>70,597</u>	<u>50,954</u>

### 21. LOANS FROM MINORITY SHAREHOLDERS

Loans from minority shareholders include an amount due to an affiliated company of \$128,889,269 (2001: \$119,868,867) and are non-interest bearing except for an amount of \$38,335,881 (2001: \$31,242,463) which is interest bearing at market rates and repayable on 30 April 2005.

The interest payable to the affiliated company for the year ended 31 December 2002 was \$1,828,744 (2001: \$1,953,357).

### 22. TRADE AND OTHER PAYABLES

	<b>The Group</b>		<b>The Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
Creditors and accruals	51,804	62,577	530	340
Sales deposits and receipts in advance	<u>5,682</u>	<u>2,383</u>	<u>308</u>	<u>338</u>
	<u>57,486</u>	<u>64,960</u>	<u>838</u>	<u>678</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 22. TRADE AND OTHER PAYABLES (Continued)

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

	<b>The Group</b>	
	<b>2002</b>	2001
	<b>\$'000</b>	<b>\$'000</b>
Due within 1 month or on demand	<b>4,304</b>	1,863
Due after 1 month but within 3 months	—	1,290
Due after 3 months but within 6 months	—	661
Due after 6 months but within 1 year	—	106
	<u><b>4,304</b></u>	<u>3,920</u>

### 23. SHARE CAPITAL

	<b>2002</b>		2001	
	<b>No. of</b>		<b>No. of</b>	
	<b>shares</b>	<b>\$'000</b>	<b>shares</b>	<b>\$'000</b>
Authorised:				
Ordinary shares of \$1 each	<u><b>500,000,000</b></u>	<u><b>500,000</b></u>	<u>500,000,000</u>	<u>500,000</u>
Issued and fully paid:				
At 1 January and 31 December	<u><b>340,200,000</b></u>	<u><b>340,200</b></u>	<u>340,200,000</u>	<u>340,200</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 24. RESERVES

	<b>The Group</b>		<b>The Company</b>	
	<b>2002</b>	2001	<b>2002</b>	2001
	<b>\$'000</b>	\$'000	<b>\$'000</b>	\$'000
<b>Share premium account:</b>				
At 1 January and 31 December	<b>158,105</b>	158,105	<b>158,105</b>	158,105
<b>Legal reserve:</b>				
At 1 January and 31 December	<b>12,758</b>	12,758	—	—
<b>Exchange reserve:</b>				
At 1 January	<b>11,428</b>	9,707	<b>1,178</b>	1,317
Movement during the year	<b>(2,159)</b>	1,721	<b>(287)</b>	(139)
At 31 December	<b>9,269</b>	11,428	<b>891</b>	1,178
<b>Investment property revaluation reserve:</b>				
At 1 January	<b>8,080</b>	91	—	—
Revaluation surplus	—	7,989	—	—
At 31 December	<b>8,080</b>	8,080	—	—
<b>Investment revaluation reserve:</b>				
At 1 January	<b>44</b>	(25)	<b>44</b>	(25)
Revaluation surplus	<b>144</b>	69	<b>144</b>	69
At 31 December	<b>188</b>	44	<b>188</b>	44
<b>Retained profits</b>				
At 1 January	<b>750,411</b>	723,118	<b>338,130</b>	339,851
Profit/(loss) for the year	<b>28,315</b>	27,293	<b>45,691</b>	(1,721)
Dividends paid in respect of the current year	<b>(3,402)</b>	—	<b>(3,402)</b>	—
At 31 December	<b>775,324</b>	750,411	<b>380,419</b>	338,130
	<b>963,724</b>	940,826	<b>539,603</b>	497,457

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 24. RESERVES (Continued)

#### Profit for the year is retained as follows:

	2002 \$'000	2001 \$'000
By the Company and its subsidiaries	12,621	(2,685)
By associates	15,694	29,978
	<u>28,315</u>	<u>27,293</u>

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

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

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

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

Distributable profits of the Company at 31 December 2002 amounted to \$380,419,000 (2001: \$338,130,000).

### 25. COMMITMENTS

At 31 December 2002, the Group had commitments in respect of development expenditure not provided for in the financial statements as follows:

	2002 \$'000	2001 \$'000
Contracted for	91,906	111,114
Authorised but not contracted for	93,396	–
	<u>185,302</u>	<u>111,114</u>

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 25. COMMITMENTS (Continued)

At 31 December 2002, the total future minimum lease payments under non-cancellable operating leases are as follows:

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Leases on premises expiring		
– within one year	<b><u>180</u></b>	<u>180</u>

### 26. CONTINGENT LIABILITIES

- (a) At 31 December 2002, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of properties under development amounting to \$6,311,000 (2001: \$6,311,000).
- (b) At 31 December 2002, there were guarantees given by a subsidiary to a bank on behalf of purchasers of flats amounting to \$Nil (2001: \$728,000).
- (c) Pursuant to the revised agreement with the Macau SAR Government on 5 October 2001 (note 13(b)), Golden Crown is required to complete the remaining phases of the development project by 31 December 2003. Failure to comply with the development schedule may render the subsidiary liable to a fine of \$4,854 for each day of delay up to a limit of 90 days and thereafter the fine may be increased up to \$9,709 per day. When the delay reaches 180 days, the Macau SAR Government may terminate the agreement totally or partially and the specified areas granted together with the work already done shall revert to the Macau SAR Government and the subsidiary shall have no right of compensation.

The subsidiary will lodge an application to extend the deadline to 31 December 2004 as described in note 13(b).

- (d) At 31 December 2002, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and an associate amounted to \$183,017,000 (2001: \$183,135,000) and \$51,495,000 (2001: \$50,762,000) respectively.
- (e) At 31 December 2002, guarantees given by a subsidiary to a bank to secure banking facilities made available to an associate amounted to \$33,075,000 (CAD\$6,635,000) (2001: \$32,604,000 (CAD\$6,635,000)).

## Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

### 27. MACAU PROPERTIES

It is common practice in Macau for transfer of interests in property to be effected by agreements or by the grant of irrevocable powers of attorney, without any change being made in the registered ownership of the property. At 31 December 2002, the Group's interests in certain properties situated in Macau held in this manner were as follows:

	<b>2002</b>	2001
	<b>\$'000</b>	\$'000
Investment properties ( <i>note 12(a)(iii)</i> )	<b>23,000</b>	23,000
Properties held for sale ( <i>note 17(c)(ii)</i> )	<b>3,260</b>	3,260
	<u><b>26,260</b></u>	<u>26,260</u>

### 28. MATERIAL RELATED PARTY TRANSACTIONS

During the year, certain subsidiaries of the Company had the following transactions which were on normal commercial terms with Goodland Limited ("Goodland"), a company holding 45% of the issued shares of the Company at 31 December 2002:

- (a) A current account was maintained between Goodland and Ocean Inc and interest was charged on the outstanding balance at market rates. At 31 December 2002, the balance due by Ocean Inc on this account amounted to \$91,733,642 (2001: \$119,034,304). The interest charge for the year ended 31 December 2002 was \$2,131,721 (2001: \$7,540,717).
- (b) Goodland maintained interest bearing current account with Golden Crown. At 31 December 2002, the balance due by Golden Crown amounted to \$280,106 (2001: \$526,656). The interest charge for the year ended 31 December 2002 payable by Golden Crown was \$5,470 (2001: \$11,182).

At 31 December 2002, the balances due to/(from) Goodland by OPJV, Golden Crown, Qing Chuan, Shun Seng International Limited and Lam Ho Investments Pte Limited on non-interest bearing accounts amounted to \$3,441,152 (2001: \$182,618), \$13,600,000 (2001: \$8,600,000), \$5,153,154 (2001: \$3,137,537), \$188 (2001: \$Nil) and \$(3,904) (2001: \$(17,356)) respectively.

- (c) Loans from minority shareholders include an amount due to Goodland of \$128,889,269 (2001: \$119,868,867) and are non-interest bearing except for an amount of \$38,335,881 (2001: \$31,242,463) due by Qing Chuan to Goodland which is interest bearing at market rates and repayable on 30 April 2005.

The interest payable to Goodland was \$1,828,744 (2001: \$1,953,357).

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

*(Expressed in Hong Kong dollars)*

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

- (d) Golden Crown rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to \$1,011,204 for the year ended 31 December 2002 (2001: \$1,011,204).
- (e) Ocean Inc, OPJV and Golden Crown paid management fees of \$1,456,311 (2001: \$1,456,311), \$3,113,200 (2001: \$Nil) and \$1,747,573 (2001: \$1,747,573) respectively for the year to Goodland.
- (f) Golden Crown rented certain properties from Goodland and rental amounting to \$174,757 (2001: \$174,757) was paid during the year.

Kansas Holdings Limited provides management services to the Company. No management fee was charged during the years 2001 and 2002.

Keck Seng Realty Investment Pte Limited acts as manager and sales agent for the Company's property in Singapore. No management or agency fee was charged during the years 2001 and 2002.

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

### **29. COMPARATIVE FIGURES**

The presentation and classification of items in the consolidated cash flow statement have been changed due to the adoption of the requirements of SSAP 15 (revised 2001) "Cash flow statements". As a result, cash flow items from taxation, returns on investments and servicing of finance have been classified into operating, investing and financing activities respectively and a detailed breakdown of cash flows from operating activities has been included on the face of the consolidated cash flow statement. Comparative figures have been reclassified to conform with the current year's presentation.