



SEA HOLDINGS LIMITED

爪哇控股有限公司

# Annual Report 2001

年報

# DIRECTORY

## DIRECTORS

Lu Ho, *Chairman\**  
Lu Wing Chi, *Managing Director*  
Lu Yong Lee\*  
Lu Wing Yuk, Andrew  
Lu Wing Lin  
Walujo Santoso, *Wally#*  
Leung Hok Lim#

*\* Non-executive director*

*# Independent non-executive director*

## SECRETARY

Wong Leung Wai

## SOLICITORS

Stephenson Harwood & Lo

## AUDITORS

Deloitte Touche Tohmatsu

## HONG KONG BANKERS

The Hongkong and Shanghai Banking  
Corporation Limited  
Bank of China (Hong Kong) Limited  
Standard Chartered Bank  
BNP Paribas

## REGISTERED OFFICE

Clarendon House  
Church Street  
Hamilton HM 11  
Bermuda

## PRINCIPAL OFFICE

26th Floor  
Dah Sing Financial Centre  
108 Gloucester Road  
Wanchai, Hong Kong

## BRANCH REGISTRARS IN HONG KONG

Standard Registrars Limited  
5/F., Wing On Centre  
111 Connaught Road Central  
Hong Kong

## WEBSITE

[www.seaholdings.com.hk](http://www.seaholdings.com.hk)

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## 5 YEAR FINANCIAL SUMMARY

### RESULTS

For the year ended 31st December,	1997	1998	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	524,748	635,829	833,062	775,734	656,501
Profit (loss) from operations					
less finance costs	666,477	(310,818)	201,141	175,427	90,198
Share of results of associates	(29,077)	(10,745)	17,968	12,202	(15,407)
Share of results of jointly controlled entities	(1,556)	(3,992)	(371)	22	(427)
Impairment loss recognised in respect of goodwill on acquisition of associates	—	—	—	(80,396)	—
Profit (loss) before taxation	635,844	(325,555)	218,738	107,255	74,364
Taxation	(14,126)	(14,419)	(9,275)	(7,829)	(4,348)
Profit (loss) before minority interests	621,718	(339,974)	209,463	99,426	70,016
Minority interests	33,061	256,544	(47,061)	(48,634)	(34,077)
Net profit (loss) for the year	654,779	(83,430)	162,402	50,792	35,939

### ASSETS AND LIABILITIES

At 31st December,	1997	1998	1999	2000	2001
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	8,876,465	6,364,331	10,551,245	9,048,960	8,096,362
Total liabilities	(3,036,484)	(2,987,989)	(5,675,895)	(4,605,411)	(4,235,543)
Minority interests	(429,358)	(272,099)	(1,721,702)	(1,415,112)	(1,235,879)
Shareholders' funds	5,410,623	3,104,243	3,153,648	3,028,437	2,624,940
Net assets per share (HK\$)	9.97	5.69	6.25	5.97	5.13

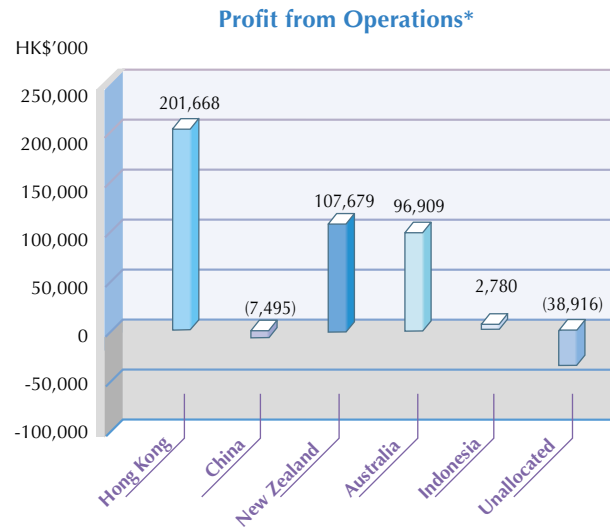
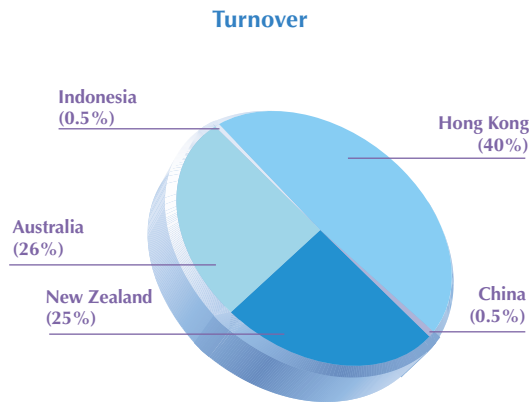
### PERFORMANCE DATA

Earnings per share (HK\$)	1.21	(0.15)	0.30	0.10	0.07
Dividends declared per share (HK\$)	0.16	0.16	0.16	0.16	0.16

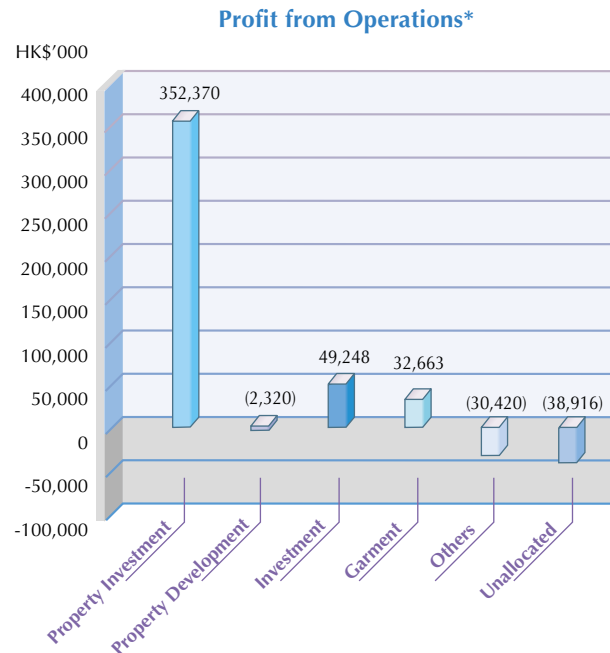
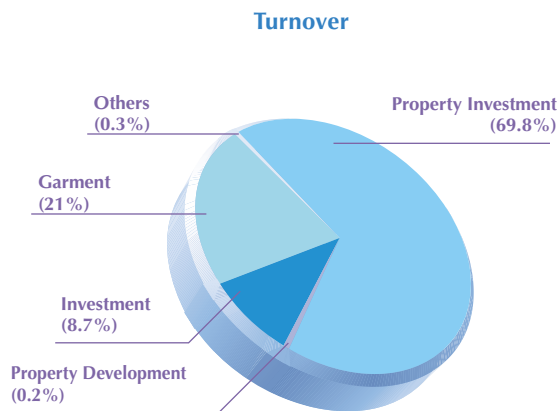
Note: The above financial summary has been adjusted to take into account the effect on the adoption of the Statements of Standard Accounting Practice ("SSAP") 9 (Revised) "Events after the balance sheet date", SSAP 30 "Business combinations" and SSAP 31 "Impairment of assets" issued by the Hong Kong Society of Accountants.

## 2001 SEGMENTAL ANALYSIS

### Geographical Segments



### Business Segments



\* Before finance cost, share of results of associates and joint ventures, taxation and minority interest.

Significant properties held by the Group as at 31st December, 2001 were as follows:

## INVESTMENT PROPERTIES

### HONG KONG

#### Medium and long term leases

Name and location	Lease expiry date	Usage	Approximate floor area (sq.m.)	Group's interest
Dah Sing Financial Centre, 108 Gloucester Road, Wanchai	30th June, 2047	Commercial	37,171 and 154 carpark	100%
28/F, 9 Queen's Road Central	16th November, 2854	Commercial	1,279	100%

### AUSTRALIA AND NEW ZEALAND

#### Freehold

Name and location	Usage	Approximate lettable floor area (sq.m.)	Group's interest
Fletcher Challenge Complex 810 Great South Road, Penrose, Auckland	Industrial/ Office	48,527	54.8%
Ministry of Commerce 33 Bowen Street East, Wellington	Office	13,125	54.8%
Citibank Centre 23-27 Customs Street East, Auckland	Office	9,784	54.8%
Telecom Tower 13-27 Manners Street, Wellington	Office/ Apartments	10,365	54.8%
EDS House 12-14 Gilmer Terrace, Wellington	Office	10,088	54.8%
Telstra Business Centre 191 Queen Street, Auckland	Office	17,542	54.8%
Colmar Brunton House 1-7 The Strand, Takapuna, Auckland	Office/ Retail	10,062	54.8%
Forsyth Barr House 764 Colombo Street, Christchurch	Office	8,041	54.8%
Simpson Grierson Building 96-98 Albert Street, Auckland	Office	11,044	54.8%
363 George Street Sydney	Office	27,752	27.4%
The Landmark 345 George Street, Sydney	Office	21,078	27.4%

OTHER REGIONS OF THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Medium-term leases

Name and location	Usage	Approximate lettable floor area (sq.m.)	Group's interest
18 Yaohan Road Songjiang District, Shanghai	Warehouse	17,474	100%

PROPERTIES UNDER DEVELOPMENT

OTHER REGIONS OF THE PRC

Name and location	Group's interest	Approximate floor area (sq.m.)	Type	Stage of completion	Estimated completion date
Overseas Exchange Square Yan Shi Kou, Chengdu City Sichuan	97%	89,570	Commercial/ Office	Building services and finishing work in progress	2nd quarter 2004
New Century Plaza Xiyulong Street Chengdu City, Sichuan	50%	79,033	Commercial/ Office	Building services and internal finishing work in progress	1st quarter 2003

PROPERTIES UNDER DEVELOPMENT FOR SALE

OTHER REGIONS OF THE PRC

Name and location	Group's interest	Approximate floor area (sq.m.)	Type	Stage of completion	Estimated completion date
Westmin Plaza Zhong Shan Road, Road 7 Guangzhou, Guangdong	100%	159,406	Residential/ Commercial/ Office	Building services and finishing work for the first phase in progress	First phase in 3rd quarter 2002

HONG KONG

Name and location	Group's interest	Approximate floor area (sq.m.)	Type	Stage of completion	Estimated completion date
14-20 Leighton Road Causeway Bay, Hong Kong	100%	6,566	Commercial	In the process of project design	4th quarter 2004
Fanling Sheung Shui Town Lot No. 189, New Territories	55%	45,120	Residential	In the process of project design	4th quarter 2004

I am pleased to present my report to shareholders on the performance and activities of the Group during 2001.

### RESULTS

For the year ended 31st December, 2001, Group profit from operations was HK\$363 million, a 24% decline from the previous year. Rental income from Australian and New Zealand investment properties was at a level similar to 2000. However, rental income from investment properties in Hong Kong fell 34%, the result of many current leases having been contracted in a weak office market environment in 2000. The lower operating profit also reflected reduced interest income which fell 54% following the trend of declining interest rates throughout 2001.

After taking account of lower finance costs arising mainly from lower interest rates and an increase in the share of losses of principally non-property associates, the Group profit before taxation was HK\$74 million representing a 31% decline from 2000 as restated. A restatement of profit before taxation for 2000 was the result of the Group adopting a new Hong Kong accounting standard relating to the treatment of goodwill. The effect has been a net charge of HK\$52 million against the previously reported 2000 profit before taxation.

The Group net profit after tax and minority interests, attributable to shareholders for 2001 amounted to HK\$36 million compared with HK\$51 million as restated, for the previous year. The profit for the year represents earnings per share of 7.0 cents compared with 10.1 cents as restated for 2000.

### DIVIDENDS

The board recommends a final dividend of HK\$0.10 per share for the year 2001 payable on 28th May, 2002 to shareholders whose names appear on the Register of Members on 23rd May, 2002. Together with the interim dividend of HK\$0.06 per share paid on 9th October, 2001, the total dividend for the year is HK\$0.16 per share. An interim dividend and a final dividend of HK\$0.06 and HK\$0.10 per share respectively were paid for the preceding year.

### BUSINESS REVIEW

The growth rate for Hong Kong's economy slowed throughout 2001. However the Group's investment properties in Hong Kong were able to maintain satisfactory occupancy levels at year end in excess of 90%. Declines during 2001 in effective rent rates for office accommodation in Hong Kong had only a minor impact as most leases were renewed in 2000.

In Guangzhou, China pre-sales of phase 1 of Westmin Plaza commenced in August 2001 and to-date over 85% of the saleable residential apartments have been contracted.

In Australia and New Zealand, previous strategies involving the disposal of non-core properties and refurbishment of existing major properties continued. The Group's tenant base in these countries remains strong, providing reliable levels of cash flow.

The Group's operations and activities in the areas of logistics, software development, procurement and e-commerce all expanded and developed during 2001. However, the sharp decline last year on a global basis in technology related spending and investment had an adverse impact on the results and carrying values for this segment of the Group.

The performance and activities of the Group's principal business segments is commented upon further in the Management Discussion and Analysis section of this Annual Report.



Phase 1, Westmin Plaza in Guangzhou, a commercial/residential development totalling around 40,000 sq.m.



## OUTLOOK

Although it appears the U.S. economy is showing signs of a recovery, it is far from certain that the recovery is either sustainable or will in turn lead to similar recoveries in the regions in which the Group's principal businesses are located — namely Hong Kong and New Zealand. Therefore, the Group expects 2002 to be a difficult year for its principal businesses. In particular, downward pressure on the value of the Group's investment and property assets is likely to continue.

The Group however has a sufficiently solid balance sheet to enable it to explore opportunities to expand its property activities throughout the Asia/Pacific region. In 2002 it will also seek to invest in areas such as asset management and logistics as part of its long term diversification strategy.

### *Hong Kong*

Hong Kong's economy is showing little evidence of recovery from the current recession. The present deflationary trend, in both prices for financial assets and wage levels, continues as Hong Kong adjusts itself to remain competitive in the Asia Region. China's accession to the World Trade Organisation at the end of 2001 does however offer the prospect of expanding export markets for China and an increase in foreign direct investment into China — factors that could have longer term benefits for Hong Kong in its role as a leading Asian region financial and commercial centre.

Recent selective strength in residential primary market sales activity, notably for smaller size units, stems mainly from improved buyer affordability as a result of historic low mortgage lending rates. Interest rates are now moving upwards in response to U.S. interest rate movement. Should this trend continue for the remainder of 2002 there will be diminishing end-user affordability and pressure on developers' margins. Consequently, profitability (after previous provisions) from the eventual launch of the Group's Sheung Shui mass residential project would be reduced.

### *China*

The targeted promotion of the Western Region as a high priority by the Chinese Government could stimulate a renewed interest for our Chengdu (Sichuan Province) commercial developments. The Group is confident that upon completion of phase 1 of the Westmin Plaza, Guangzhou, further phases of commercial area and residential units will find a ready market when released for sale.

### *New Zealand*

Central Business District ("CBD") office rents in the major cities appear to have stabilized during 2001 at what was perceived to be the bottom of the leasing cycle. This in turn impacted positively on buying interest from local investors. Trans Tasman Properties Limited ("TTP") our listed New Zealand subsidiary took advantage of this improved liquidity last year by disposing of non-core properties to bring debt within acceptable limits. These disposals have caused the Group to incur losses on sale of properties as yield expectations remain at a historically high level. With interest rates in New Zealand rising recently as part of the New Zealand Government's anti-inflation measures, the property sector will continue to be under pressure to further devalue carrying values and this will have an adverse impact on TTP. As TTP moves, in the medium term, to rebalance its portfolio in favour of higher yielding development and investment assets, the transition will not be without downward adjustment to net asset values.



Maritime Square located at the centre of the Viaduct Harbour, Auckland

### *Australia*

The local economy was once again resilient for most of 2001. However, office leasing activity generally has noticeably slowed in recent months. Our listed subsidiary, Australian Growth Properties Limited ("AGP") is positioned to earn a higher yield on its assets once its Sydney CBD properties at 345 George Street and 65 York Street have been refurbished and re-let. Last year's re-banking of credit lines in conjunction with property sales will now permit AGP to execute a re-investment strategy with greater flexibility.

### *E-Businesses*

The initiatives undertaken in New Zealand by 50 per cent owned Professional Service Brokers Limited ("PSB") during 2001 has positioned the Group to expand into Australia and the Asia/Pacific region as a leading, fully integrated procurement service provider under the PSB Group brand. The Group has also signed an exclusive Asian licence with PSB to exploit the PSB Group concept. This provides the Group a base platform to move strongly into the public (government and quasi-government) and private procurement sectors complemented by its existing investments in e-logistics.

e-commerce Logistics Limited ("ECL") in which the Group owns a 35% interest, will continue to build its networked services which will extend to 9 logistics centers in Hong Kong, China and Taiwan by the end of 2002. Whilst trading conditions have been difficult over the past two years, ECL's I.T. logistics platform is finally nearing completion thus improving prospects for new customer acquisition and expansion of existing revenues.

### **STAFF**

The Group had 230 employees at the end of 2001. Salaries are reviewed annually in conjunction with market conditions and employee performance appraisals. Fringe benefits including tuition/training subsidies, employer voluntary contributions to employee retirement funds and medical insurance benefits are offered to most employees.

Share options at the Group and subsidiary level are granted to executives employed by the Group on a selective discretionary basis by the respective boards.

### **Lu Ho**

*Chairman*

Hong Kong, 4th April, 2002

## OPERATING REVIEW

### Property investment in Hong Kong and China

Most of the leases in the Group's flagship property, Dah Sing Financial Centre, in Wanchai, Hong Kong were renewed in 2000 for periods on average of three years. As a result this building has achieved an average occupancy rate of over 94% throughout the year.

The group expanded its China property investments by acquiring an existing warehouse in the Jiuting industrial district in Shanghai in 2000. The warehouse has a gross floor area of 17,474 square metres and is leased to a multi-national logistics company. The Group is assessing the potential of developing the adjacent site. Results of feasibility studies and market surveys are currently being evaluated.



The warehouse in the Jiuting Industrial district, Shanghai has a gross floor area of 17,474 sq.m.

### Property development in Hong Kong and China

#### Causeway Bay, HK

Previously a hotel development was planned for this 438 square metres site but the weak demand outlook makes this scheme unviable. Accordingly the Group has reviewed alternatives and presently believes an office development is the best use and to a lesser extent residential accommodation.

#### Sheung Shui, HK

The Group has a 55% interest in this project. The site area is 9,024 square metres and it is intended to build three blocks with a total residential floor area of 45,120 square metres. Construction will commence immediately as soon as agreement on land premium has been reached with the Government.

#### Guangzhou, PRC

The development of Westmin Plaza is progressing on schedule. There are three phases, of which Phase I comprising three blocks totaling about 40,000 square metres of residential apartments and commercial areas will be completed in the third quarter of 2002. Pre-sales of Phase I commenced in August 2001 and to-date over 85% residential units have been contracted. Profit on sales of Phase I will be booked in 2002.

#### Chengdu, PRC

The development of the New Century Plaza commercial/office building is expected to be completed in the first quarter of 2003. This project comprises an office tower of 29 storeys situated above 6-level podium intended for retail use. Superstructure works are completed and building services and internal finishing works are in progress. The group owns a 50% interest in this property.

### Property investment in Australasia

In line with the previously announced strategies, five non-core properties in Australia and nine non-core properties in New Zealand were sold for a total consideration of HK\$632 million (NZD195 million). Sales proceeds were applied to debt reduction. While the Australian portfolio's market value increased marginally over 2001, the New Zealand portfolio has suffered through a revaluation writedown of HK\$200 million (NZD61.7 million) or 13% from book values at the beginning of 2001.

The completion of the refurbishment of 345 George Street Sydney has, together with the renewal of key leases in the building, contributed to a net revaluation gain of HK\$30 million (AUD7.5 million) excluding refurbishment costs.

### Property development in Australasia

In Auckland, New Zealand, the traditional Central Business District has expanded in recent years to include the Viaduct Harbour area. At the centre of the Viaduct Harbour area is Maritime Square where during 2001, Trans Tasman Properties Limited (“TTP”) completed at a profit, the construction and sale of a six-storey office building. At the western end of the Viaduct Harbour area, TTP is conducting feasibility studies for the progressive re-development of a site which could produce a gross floor area of up to 75,000 square metres if fully developed as a multi-use office park scheme. Consultation and negotiations with the Auckland City Council and potential tenants are being advanced.

During 2001, Australian Growth Properties Limited (“AGP”) acquired an existing prime property located at 601 Bourke Street, Melbourne. An extensive refurbishment programme office was completed in February 2002 and leasing of the 8,155 square metres building has commenced.

### E-businesses

In New Zealand, the Professional Service Brokers Limited (“PSB”) Group, operating through a wholly owned subsidiary GSB Supplycorp Ltd (“GSB”), is the recognized market leader in acting as the procurement service provider for over 400 New Zealand government departments and state owned enterprises. For the past 10 years, GSB has offered these services through non-electronic means. Starting 2001 these services were also provided via the internet.



Prime office property at 601 Bourke Street, Melbourne

Concurrently, the PSB Group is integrating its marketplace businesses with its consulting and technology service activities under a single “PSB Group” brand name. It is now launching the PSB Group branded services in New Zealand targeting both public and private sector customers. Four divisions of the PSB Group are promoting the PSB concept by marketing differentiated services as follows:

- GSB Supplycorp — offering a full suite of e-service initiatives based on CommerceOne technologies to the New Zealand public sector.
- Conexa — a private sector version of GSB Supplycorp e-Services working in conjunction with PSB Consulting.
- PSB Consulting — offering a full service Strategic Procurement and Sourcing Consultancy incorporating the use of an independent consultancy network.
- Supplynet — a licensee of CommerceOne technology and the Asia/Pacific region leader in implementing e-market place solutions.

In Hong Kong, e-commerce Logistics Limited (“ECL”) proved its growing reputation by being rated by IDC, the global research consultancy, #1 overall in the provision of e-logistic services in the Greater China region. ECL’s major customers include multi-national corporations Samsung Electronics (in Hong Kong) and UPS Logistics (in Taiwan) and from March 2002, Midway Enterprises, one of the leading vertically integrated distributors and marketers of branded consumer products, especially children merchandise, in China nationwide (up to six locations in China).

### Garment business

The Group’s garment business was adversely affected by the slowdown in the U.S. economy last year. Unimilo, the garment manufacturing subsidiary is initiating a more aggressive marketing and cost control programme to raise profitability.

### FINANCIAL REVIEW

The Group had HK\$1,395 million cash and unutilized facilities of HK\$1,205 million at the end of 2001 to meet its commitments and provide for working capital. The slight decrease of the current ratio from 1.39 at 31st December, 2000 to 1.30 at 31st December, 2001 was mainly due to the reclassification of loans under non-current liabilities to current liabilities.

At 31st December, 2001, shareholders’ funds of the Group amounted to HK\$2,625 million representing a decrease of 13% from the end of the previous financial year. The decrease is mainly attributable to property writedowns in New Zealand and Hong Kong, and deficit arising from exchange translation of the group’s interests in New Zealand and Australia.

**FINANCIAL REVIEW (Continued)**

Banks loans to TTP and AGP are denominated in NZD and AUD respectively. At 31st December, 2001, the TTP Group had drawn down bank loans of HK\$1,610 million (NZD497 million) secured mainly by properties valued at HK\$3,346 million (NZD1,033 million). In Hong Kong properties valued at HK\$2,356 million and fixed deposits of HK\$1,039 million were pledged for banking facilities extended to subsidiaries.

As at the balance sheet date, bank loans and other borrowings had the following maturities:

	2001	2000
	<i>HK\$ million</i>	<i>HK\$ million</i>
Within 1 year	1,258	859
More than 1 year, but within 2 years	70	2,271
More than 2 years, but within 5 years	1,496	769
After 5 years	1,006	265
<b>Total</b>	<b>3,830</b>	<b>4,164</b>

**Refinancing**

The bank loan for financing Dah Sing Financial Centre was re-negotiated for an amount of HK\$1,200 million at more favourable terms and repayable over seven years.

In Australia, following the completion of the 363 George Street development in November 2000, AGP successfully negotiated a new three-year HK\$796 million (AUD200 million) facility.

In New Zealand, TTP has recently concluded negotiations for a new HK\$842 million (NZD260 million) 3.5 years term facility to fund the New Zealand property portfolio.

The renewal of major credit facilities on a medium and long term basis provides the Group with capacity and flexibility to undertake development and investment opportunities consistent with its strategy to remain a long-term investor in property.

**Treasury policies**

The Group adheres to prudent treasury policies. The ratio of non-current liabilities to shareholders' fund plus minority interests was 0.67 at 31st December, 2001 (31st December, 2000: 0.75). The decrease is mainly attributable to reduction of non-current liabilities resulting from the sale of 14 non-core properties in New Zealand and Australia.

The Group's borrowings are principally on a floating rate basis. However, when requested by lenders under banking arrangements or at times when interest rates are volatile, hedging instruments including swaps and forwards are used to manage interest rate exposure.

**Capital movements in subsidiaries**

The minority shareholders of TTP voted against a proposal in February 2001 to exchange ordinary shares for property bonds. A proposal to exchange convertible notes of TTP for secured property bonds of a longer maturity was accepted. As at 31st December, 2001, the Group held a 54.8% interest in TTP and through TTP, a 50.01% interest in AGP.

AGP continued the on-market share buy-back programme commenced in 2000 and purchased a further 7,801,696 ordinary shares in 2001 at a cost of AUD4.2 million or an average of AUD0.535 per share.

AGP made two bonus issues to the holders of ordinary shares to compensate them for any benefit that would otherwise have accrued to TTP as holder of dividend deferred ordinary shares resulting from the on-market share buy-backs in 2000 and 2001. In November 2001, bonus issue of 19,825,901 shares was made to ordinary shareholders in relation to the 2000 year and a further bonus issue of 3,594,280 shares was made on 15th March, 2002.

**Lu Wing Chi**  
*Managing Director*  
 Hong Kong, 4th April, 2002

The directors present their annual report and the audited financial statements for the year ended 31st December, 2001.

### PRINCIPAL ACTIVITIES

The Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 20 to the financial statements.

### RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31st December, 2001 are set out in the consolidated income statement on page 20.

An interim dividend of HK 6 cents per share amounting to HK\$30,675,000 was paid to the shareholders during the year. The directors now recommend the payment of a final dividend of HK 10 cents per share to the shareholders on the register of members on 23rd May, 2002, amounting to HK\$51,125,000.

### RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 38 to the financial statements.

### SHARE CAPITAL, WARRANTS AND SHARE OPTIONS

Details of movements during the year in the share capital, outstanding warrants and options of the Company are set out in note 37 to the financial statements.

Particulars of option rights held by option holders of the Company during the year are set out below.

#### Employee Share Option Scheme

The Company operates an Employee Share Option Scheme (the "Scheme") for the primary purpose of providing incentive to executive directors and eligible employees. The original scheme was approved and adopted on 30th June, 1990. A new scheme was approved and adopted on 23rd June, 2000, which will be effective until 29th June, 2010. At 31st December, 2001, the number of shares in respect of which options had been granted under the original and new Scheme was 36,700,000 and 28,000,000, representing approximately 7% and 5% respectively of the shares of the Company in issue at that date.

Under the Scheme, the board of directors of the Company may offer to any director or full time employee/chief executive of the Company, or any of its subsidiaries, options to subscribe for shares in the Company at a price equal to the higher of the nominal value of the shares, the closing price of shares on the date of grant, and the average closing price of shares on The Stock Exchange of Hong Kong Limited ("Stock Exchange") for the last five business days immediately preceding the date of the grant of the options, subject to a maximum of 10% or such other percentage limit as the Stock Exchange may from time to time prescribe, of the issued share capital of the Company. The number of shares in respect of which options may be granted to any individual in any one year is not permitted to exceed 1% of the shares of the Company in issue at any point in time, without prior approval from the Company's shareholders.

Options granted must be taken up within 28 days from the date of grant or such period as the directors determine, upon payment of HK\$10 per each grant of options.

Options may be exercised at any time after the date of grant to the tenth anniversary of the date of grant.

Pursuant to the Company's Employee Share Option Scheme, options to purchase ordinary shares in the Company are granted to directors and employees. Particulars of options outstanding during the year are as follows:

Date of grant	Exercisable period	Price per share to be paid on exercise of option (HK\$)	Number of options outstanding at beginning and end of year
<b>Category 1: Directors</b>			
11.8.1992	11.8.1992 – 10.8.2002	1.85	21,000,000
18.11.1993	18.11.1993 – 17.11.2003	2.78	3,500,000
21.2.1994	21.2.1994 – 20.2.2004	4.40	2,200,000
4.12.2000	4.12.2000 – 3.12.2010	1.44	28,000,000
Total Directors			54,700,000
<b>Category 2: Employees</b>			
18.11.1993	18.11.1993 – 17.11.2003	2.78	10,000,000
Total Employees			10,000,000
<b>Total all categories</b>			
11.8.1992	11.8.1992 – 10.8.2002	1.85	21,000,000
18.11.1993	18.11.1993 – 17.11.2003	2.78	13,500,000
21.2.1994	21.2.1994 – 20.2.2004	4.40	2,200,000
4.12.2000	4.12.2000 – 3.12.2010	1.44	28,000,000
Gross total			64,700,000

No options were granted or exercised during the year.

### INVESTMENT PROPERTIES

All the investment properties of the Group were revalued at 31st December, 2001, as set out in note 16 to the financial statements. The resulting net deficit arising on revaluation (net of minority interests), which has been debited directly to the investment property revaluation reserve, amounted to HK\$214,511,000.

### PROPERTY, PLANT AND EQUIPMENT

During the year, properties under development with a total carrying value amounting to approximately HK\$197 million and HK\$22 million were transferred to properties for sale and transferred from investment properties respectively.

Details of the above and other movements during the year in the property, plant and equipment of the Group are set out in note 17 to the financial statements.

### MAJOR PROPERTIES

Details of the major properties of the Group at 31st December, 2001 are set out in Major Properties on page 3.



### DONATIONS

During the year, the Group made charitable and other donations amounting to HK\$23,000 (2000: HK\$555,000).

### PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-laws, or the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

### DIRECTORS

The directors of the Company during the year and up to the date of this report were:

#### Executive directors

Mr. Lu Wing Chi (*Managing Director*)

Mr. Lu Wing Yuk, Andrew

Mr. Lu Wing Lin

#### Non-executive directors

Mr. Lu Ho (*Chairman*)

Mr. Lu Yong Lee

#### Independent non-executive directors

Mr. Walujo Santoso, Wally

Mr. Leung Hok Lim

In accordance with Clause 88 of the Company's Bye-laws, Mr. Lu Wing Yuk, Andrew retires by rotation and, being eligible, offers himself for re-election.

The term of office of each non-executive director is the period up to his retirement by rotation in accordance with the Company's Bye-laws.

### DIRECTORS' SERVICE CONTRACTS

No director of the Company proposed for re-election at the forthcoming Annual General Meeting has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

### DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

No contracts of significance to which the Company or any of its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

### DIRECTORS' RIGHTS TO ACQUIRE SHARES AND DEBENTURES

Other than the interests of the directors in the Company's shares and employee share option scheme as more fully described below, at no time during the year was the Company or any of its subsidiaries a party to any arrangements to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

### MANAGEMENT CONTRACTS

No contract of significance concerning the management and administration of the whole or any substantial part of the business of the Company or any of its subsidiaries was entered into or subsisted during the year.



## DIRECTORS' INTERESTS IN SHARES, OPTIONS AND WARRANTS

At 31st December, 2001, the interests of the directors and their associates, within the meaning of the Securities (Disclosure of Interests) Ordinance ("SDI Ordinance"), in the shares and options of the Company as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Companies were as follows:

### Shares

Name of director	Number of ordinary shares	Category of Interest
Mr. Lu Wing Lin	94,000	Personal

### Options

Name of directors	Date of grant	Option price (HK\$)	Exercisable period	Number of shares to be issued upon exercise of remaining options at beginning and end of the year
Lu Wing Chi	11.8.1992	1.85	11.8.1992 - 10.8.2002	10,000,000
	21.2.1994	4.40	21.2.1994 - 20.2.2004	2,200,000
	4.12.2000	1.44	4.12.2000 - 3.12.2010	12,500,000
Lu Wing Yuk, Andrew	11.8.1992	1.85	11.8.1992 - 10.8.2002	3,000,000
	4.12.2000	1.44	4.12.2000 - 3.12.2010	3,000,000
Lu Wing Lin	11.8.1992	1.85	11.8.1992 - 10.8.2002	8,000,000
	18.11.1993	2.78	18.11.1993 - 17.11.2003	3,500,000
	4.12.2000	1.44	4.12.2000 - 3.12.2010	12,500,000

No options were granted to or exercised by the directors of the Company during the year.

Other than as disclosed above, none of the directors or chief executives, nor their associates, had any interests in any securities of the Company or any of its associated corporations as defined in the SDI Ordinance, and none of the directors or chief executives, nor their spouses or children under the age of 18, had any right to subscribe for the securities of the Company, or had exercised any such right during the year.

## SUBSTANTIAL SHAREHOLDERS

As at 31st December, 2001, the register of substantial shareholders maintained under Section 16(1) of the SDI Ordinance showed that the following shareholders had an interest of 10% or more in the share capital of the Company:

Substantial shareholders	Number of ordinary shares held	
	Direct interest	Indirect interest
Nan Luen International Limited ("Nan Luen")	240,503,812	—
JCS Limited ("JCS") (Note)	—	240,503,812

Note: JCS is deemed to have an interest in 240,503,812 shares under Section 8 of the SDI Ordinance by virtue of its direct controlling interest in Nan Luen.

Other than as disclosed above, the Company has not been notified of any other interests representing 10% or more of the Company's issued share capital as at 31st December, 2001.

### DEALINGS IN THE COMPANY'S SHARES AND WARRANTS

During the year, there was no purchase, sale or redemption by the Company or any of its subsidiaries, of the Company's listed shares or warrants.

### MAJOR SUPPLIERS AND MAJOR CUSTOMERS

The aggregate amount of purchases and sales attributable to the five largest suppliers and customers of the Group accounted for less than 30% in aggregate of the Group's total purchases and sales respectively.

### CORPORATE GOVERNANCE

The Company has complied throughout the year ended 31st December, 2001 with the Code of Best Practice, as set out in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited except that the non-executive directors are not appointed for a specific term.

An Audit Committee has been established by the Company since 1999 to act in an advisory capacity and make recommendations to the Board of Directors. The Committee currently comprises Messrs. Walujo Santoso, Wally and Leung Hok Lim, both of whom are independent non-executive directors of the Company. The Audit Committee met twice during the year. During these meetings, the committee members met with representatives from the management and/or external auditors of the Company to review the interim and annual reports of the Group as well as various auditing, financial reporting and internal control matters.

### FINANCIAL SUMMARY

A summary of the results, assets and liabilities of the Group for the past five years is set out in Financial Highlights on page 1.

### AUDITORS

A resolution will be submitted to the annual general meeting to re-appoint Messrs. Deloitte Touche Tohmatsu as auditors of the Company.

On behalf of the Board

**Lu Ho**

*Chairman*

Hong Kong, 4th April, 2002

## EXECUTIVE DIRECTORS

**Mr. Lu Wing Chi**, aged 55, joined the Group in 1969 and now is the Managing Director of the Company. Mr. Lu over 33 years of experience in property developments and investments in Hong Kong and overseas. He is the son of the founder of the Company, Mr. Lu Chu Mang, and brother of Mr. Lu Wing Lin.

**Mr. Lu Wing Yuk, Andrew**, aged 55, joined the Group and acted as Executive Director of the Company since 1992. Mr. Lu is also the Managing Director of Kian Nan Trading Company Limited. He has over 32 years of experience in the textile industry and international trading. He is the son of Mr. Lu Ho.

**Mr. Lu Wing Lin**, aged 50, joined the Group in 1976 and now is the Executive Director of the Company. Mr. Lu holds a Bachelor of Finance degree and has over 25 years of experience in public godown operations and property developments. He is the son of the founder of the Company, Mr. Lu Chu Mang, and brother of Mr. Lu Wing Chi.

## NON-EXECUTIVE DIRECTORS

**Mr. Lu Ho**, aged 84, acted as Chairman of the Company since 1993 and also the Managing Director of Kian Nan Trading Company Limited in Hong Kong and a Director of Hua Tong Union Company Limited in Japan. Mr. Lu has over 46 years of extensive knowledge in the textile industry and international trading. He is the father of Mr. Lu Wing Yuk, Andrew.

**Mr. Lu Yong Lee**, aged 63, acted as non-executive Director of the Company since 1990 and also the Managing Director of Hua Tong Union Company Limited in Japan and a Director of Safety Godown Company Limited. Mr. Lu holds a Bachelor of Commerce degree and has over 37 years of experience in property developments and international trading.

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Walujo Santoso, Wally**, aged 49, acted as independent non-executive Director of the Company since 1994 and also the Managing Director of Grand Ocean (International) Limited. Mr. Santoso holds a Diploma in Accounting and has over 25 years of experience in international trading and manufacturing.

**Mr. Leung Hok Lim**, CPA(Aust.), CPA(Macau), FHKSA, CPA, aged 67, acted as independent non-executive Director of the Company since February 1999 and is the founding and managing partner of PKF, Certified Public Accountants. Mr. Leung obtained his fellowship with Hong Kong Society of Accountants in 1973. He is the vice chairman of the Business Enterprise Management Centre of the Hong Kong Management Association, a non-executive director of Beijing Hong Kong Exchange of Personnel Centre Limited. Mr. Leung is a member of the Chinese People's Political Consultative Commission of Hainan Province of People's Republic of China since 1993. In the business sector, Mr. Leung is a director or non-executive director respectively of a number of private and listed companies.

**SENIOR EXECUTIVES**

**Mr. Lam Sing Tai**, aged 55, a Real Estate Administrator, General Manager of the Company and is responsible for the Business Department. He is a Director of South-East Asia Investment and Agency Company, Limited and a number of the Group's subsidiary companies. Mr. Lam joined the Group in 1973 and has over 28 years of experience in property investments and developments.

**Mr. Ching Wai Chuen, Antonio**, BA(AS), B.Arch, HKIA, RIBA, ARAIA, Authorised person - Architect, Registered Architect, aged 45, Executive Director of SEABO Pacific Limited, the Group's wholly-owned subsidiary company with China property development and investment projects. Mr. Ching joined the Group in 1985 and has more than 18 years of experience in project management of various types of development in Asia and is now responsible for the strategic planning and investments in the China market.

**Mr. Donald Ian Fletcher**, aged 48, Executive Chairman and Executive Director of the Group's property investment companies in New Zealand and Australia respectively. Mr. Fletcher joined the Group in 1993 and has extensive knowledge of Asian, Australian and New Zealand property markets.

**Mr. Hoon Stanley Sum**, AHKSA, ACA(N.Z.), aged 56, joined the Group in September 1997 as Consultant of the Company and is now the Group Investment Manager. Prior to joining the Group, he has been working as senior financial positions for a number of public companies.

**Mr. Lee Bo Yuen, Tom**, BSc., FCCA, AHKSA, ACIS, ACS, aged 38, joined the Group in July 1998 as Financial Controller of SEABO group, the property development and investment division in China. He holds a Bachelor of Science Degree and is a fellow member of The Chartered Association of Certified Accountants and an associate member of The Hong Kong Society of Accountants. Prior to joining the Group, he has more than 16 years of auditing and corporate finance experience in professional and commercial firms.

**Mrs. Sin Li Mei Wah, Jenifer**, LLB, FCIS, aged 46, General Manager of the Company Secretarial and Administration Department. Mrs. Sin joined the Group in July 1998. She holds a Bachelor of Laws Degree and is a fellow member of The Institute of Chartered Secretaries and Administrators. Prior to joining the Group, Mrs. Sin has been working for several commercial and professional firms for about 24 years.

**Mr. Wu Siu Tong**, MBA, CPA (Aust.), FCCA, AHKSA, MHKSI, aged 47, joined the Group in November 1999 as Group Financial Controller. Mr Wu has about 22 years experience as senior finance executive in various multi-national corporations.

# FINANCIAL STATEMENTS

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24	<i>Consolidated Cash Flow Statement</i>
26	<i>Notes to the Financial Statements</i>

**德勤 • 關黃陳方會計師行****Certified Public Accountants**26/F, Wing On Centre  
111 Connaught Road Central  
Hong Kong香港中環干諾道中111號  
永安中心26樓**Deloitte  
Touche  
Tohmatsu****TO THE MEMBERS OF S E A HOLDINGS LIMITED***(incorporated in Bermuda with limited liability)*

We have audited the financial statements on pages 20 to 68 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

**Respective responsibilities of directors and auditors**

The Company's directors are responsible for the preparation of financial statements which give a true and fair view. In preparing financial statements which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

**Basis of opinion**

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the Company and the Group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the financial statements are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31st December, 2001 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

**Deloitte Touche Tohmatsu***Certified Public Accountants*

Hong Kong, 4th April, 2002

# CONSOLIDATED INCOME STATEMENT

For the year ended 31st December, 2001

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	Notes	2001 HK\$'000	2000 HK\$'000 (as restated)
<b>Turnover</b>	4	<b>656,501</b>	775,734
Other revenue	5	<b>11,857</b>	14,815
Changes in inventories of manufactured finished goods and work-in-progress		<b>4,567</b>	624
Raw materials and consumables used		<b>(29,171)</b>	(24,169)
Purchase of goods held for resale		<b>(54,597)</b>	(48,544)
Changes in inventories of properties under development for sale		<b>55,327</b>	6,879
Contracting costs incurred on development properties for sale		<b>(55,327)</b>	(25,022)
Cost of securities sold		<b>—</b>	(7,504)
Staff costs		<b>(66,765)</b>	(60,426)
Depreciation and amortisation		<b>(5,539)</b>	(5,402)
Other operating expenses		<b>(124,119)</b>	(98,757)
Net loss on investments and properties	7	<b>(41,552)</b>	(64,196)
Impairment loss recognised in respect of goodwill on acquisition of subsidiaries		<b>(823)</b>	—
Release of negative goodwill		<b>12,266</b>	12,266
<b>Profit from operations</b>	8	<b>362,625</b>	476,298
Finance costs	9	<b>(272,427)</b>	(300,871)
Share of results of associates		<b>(15,407)</b>	12,202
Share of results of jointly controlled entities		<b>(427)</b>	22
Impairment loss recognised in respect of goodwill on acquisition of associates		<b>—</b>	(80,396)
<b>Profit before taxation</b>		<b>74,364</b>	107,255
Taxation	12	<b>(4,348)</b>	(7,829)
<b>Profit before minority interests</b>		<b>70,016</b>	99,426
Minority interests		<b>(34,077)</b>	(48,634)
<b>Net profit for the year</b>	13	<b>35,939</b>	50,792
<b>Dividends paid</b>	14	<b>81,799</b>	80,847
<b>Earnings per share</b>	15		
Basic		<b>7.0 cents</b>	10.1 cents
Diluted		<b>6.6 cents</b>	8.2 cents

At 31st December, 2001

	NOTES	THE GROUP		THE COMPANY	
		2001	2000	2001	2000
		HK\$'000	HK\$'000 (as restated)	HK\$'000	HK\$'000 (as restated)
<b>Non-current assets</b>					
Investment properties	16	5,643,156	6,805,933	—	—
Property, plant and equipment	17	282,665	399,116	—	—
Permanent quotas	18	—	—	—	—
Negative goodwill	19	(155,773)	(168,039)	—	—
Investments in subsidiaries	20	—	—	136,586	136,586
Interests in associates	21	16,405	34,779	—	—
Interests in jointly controlled entities	22	39,248	39,679	—	—
Other investments	23	108,226	148,495	—	—
Amounts due from jointly controlled entities	24	2,794	2,844	—	—
Other loans receivable	25	17,187	3,165	—	—
		<b>5,953,908</b>	7,265,972	<b>136,586</b>	136,586
<b>Current assets</b>					
Inventories	26	7,355	3,387	—	—
Properties for sale	27	493,594	304,036	—	—
Other investments	23	40,717	4,167	—	—
Mortgage loans receivable		—	746	—	—
Debtors, deposits and prepayments	28	199,874	119,408	75	10,621
Taxation recoverable		4,127	2,268	—	—
Advances to directors of an indirect subsidiary	29	1,074	1,306	—	—
Amounts due from subsidiaries	30	—	—	2,263,743	2,195,716
Amount due from an associate	31	796	1,000	—	—
Pledged bank deposits		1,038,946	823,871	40,072	40,000
Bank balances and deposits		355,971	522,799	202,209	2,330
		<b>2,142,454</b>	1,782,988	<b>2,506,099</b>	2,248,667
<b>Current liabilities</b>					
Creditors, deposits and accrued charges	32	217,688	294,993	652	849
Sales deposits on properties for sale under development received		72,464	—	—	—
Provisions	33	67,032	64,993	—	—
Taxation payable		22,280	23,752	—	—
Amounts due to subsidiaries	30	—	—	259,616	70,716
Amounts due to associates	31	10,601	18,570	—	—
Borrowings - due within one year	34	1,257,523	859,266	200,000	—
Other payables - due within one year	36	4,715	17,854	—	—
		<b>1,652,303</b>	1,279,428	<b>460,268</b>	71,565
<b>Net current assets</b>		<b>490,151</b>	503,560	<b>2,045,831</b>	2,177,102
		<b>6,444,059</b>	7,769,532	<b>2,182,417</b>	2,313,688



At 31st December, 2001

	NOTES	THE GROUP		THE COMPANY	
		2001	2000	2001	2000
		HK\$'000	HK\$'000 (as restated)	HK\$'000	HK\$'000 (as restated)
<b>Capital and Reserves</b>					
Share capital	37	51,125	50,729	51,125	50,729
Reserves	38	2,573,815	2,977,708	2,131,292	2,262,959
		<b>2,624,940</b>	3,028,437	<b>2,182,417</b>	2,313,688
<b>Minority Interests</b>					
		<b>1,235,879</b>	1,415,112	—	—
<b>Non-current liabilities</b>					
Borrowings — due after one year	34	2,564,381	3,304,873	—	—
Other payables — due after one year	36	18,859	18,843	—	—
Deferred taxation	39	—	2,267	—	—
		<b>2,583,240</b>	3,325,983	—	—
		<b>6,444,059</b>	7,769,532	<b>2,182,417</b>	2,313,688

The financial statements on pages 20 to 68 were approved and authorised for issue by the Board of Directors on 4th April, 2002 and are signed on its behalf by:

**Lu Wing Chi**  
DIRECTOR

**Lu Wing Lin**  
DIRECTOR

# CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

For the year ended 31st December, 2001

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i> (as restated)
Exchange differences arising on translation of financial statements of overseas operations	(111,323)	(104,236)
Revaluation (deficit) surplus on investment properties	(214,511)	9,237
Revaluation deficit on investments in securities	(28,503)	(27,687)
Net loss not recognised in the consolidated income statement	(354,337)	(122,686)
Net profit for the year	35,939	50,792
Total recognised gains and losses for the year	(318,398)	(71,894)
Prior period adjustments arising from the effects of changes in accounting policies		
— increase in accumulated profits at 1st January, 2000		57,404
— increase in dividend reserve at 1st January, 2000		50,490
— decrease in capital reserve at 1st January, 2000		(237,709)
		(129,815)

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2001

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	Notes	2001	2000
		HK\$'000	HK\$'000 (as restated)
<b>Net cash inflow from operating activities</b>	40	<b>345,601</b>	616,101
<b>Returns on investments and servicing of finance</b>			
Interest paid on bank and other borrowings		(322,860)	(370,056)
Interest paid on obligations under finance leases		(248)	(181)
Dividend paid		(81,799)	(80,847)
<b>Net cash outflow from returns on investments and servicing of finance</b>		<b>(404,907)</b>	(451,084)
<b>Taxation</b>			
Hong Kong Profits Tax paid		(9,394)	(5,806)
Hong Kong Profits Tax refunded		228	1,274
Overseas tax paid		(770)	(9,417)
<b>Net tax paid</b>		<b>(9,936)</b>	(13,949)
<b>Investing activities</b>			
Purchase of property, plant and equipment		(92,674)	(173,476)
Disposal of subsidiaries	42	—	108,869
Purchase of investment properties		(52,517)	(158,495)
Purchase of investments in securities		(5,971)	(99,761)
Repayment of mortgage loans receivable		746	167
Proceeds on disposal of investment properties		523,401	48,208
(Increase) decrease in pledged and unpledged short-term bank deposits placed over three months		(189,555)	660,055
Purchase of subsidiaries (net of cash and cash equivalents acquired)	41	2,937	—
(Addition) repayment of other loans receivable		(14,779)	6,378
Proceeds on disposal of property, plant and equipment		27,505	4,677
Proceeds on disposal of investments in securities		111	3
Acquisition of interests in associates		(5,226)	(130,238)
Return on capital from an associate under liquidation		—	77,294
Repayment from (advance to) jointly controlled entities		50	(21)
Advance to an associate		—	(1,000)
<b>Net cash inflow from investing activities</b>		<b>194,028</b>	342,660
<b>Net cash inflow before financing</b>		<b>124,786</b>	493,728

# CONSOLIDATED CASH FLOW STATEMENT

For the year ended 31st December, 2001

	Notes	2001	2000
		<i>HK\$'000</i>	<i>HK\$'000</i> (as restated)
<b>Financing</b>	43		
Proceeds from issue of shares on exercise of options and warrants		5,456	4,241
Repayment of long-term bank and other loans		(1,886,999)	(959,938)
Funds received from long-term bank and other loans		1,635,577	413,044
Repayment of obligations under finance leases		(395)	(3,048)
Funds received from preference convertible promissory notes		23,400	—
Repurchase of shares of a subsidiary		(17,886)	(58,498)
Advances from (to) minority shareholders		870	(422)
Contribution from minority shareholders		—	161
(Repayment to) advances from associates		(7,969)	18,570
Decrease in other payables		(13,155)	(13,266)
<b>Net cash outflow from financing</b>		<b>(261,101)</b>	<b>(599,156)</b>
<b>Decrease in cash and cash equivalents</b>		<b>(136,315)</b>	<b>(105,428)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>496,336</b>	<b>635,383</b>
<b>Effect of foreign exchange rate changes</b>		<b>(4,050)</b>	<b>(33,619)</b>
<b>Cash and cash equivalents at the end of the year</b>		<b>355,971</b>	<b>496,336</b>
<b>Analysis of the balances of cash and cash equivalents</b>			
Bank balances and deposits		355,971	522,799
Less: short-term bank deposits placed over three months		—	(25,520)
		<b>355,971</b>	<b>497,279</b>
Short-term bank loans and overdrafts		—	(943)
		<b>355,971</b>	<b>496,336</b>

## 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 Company acts as an investment holding company. The activities of its principal subsidiaries are set out in note 20.

## 2. ADOPTION OF 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. Adoption of these SSAPs has led to a number of changes in the Group's accounting policies. The revised accounting policies are set out in note 3. In addition, the new and revised SSAPs have introduced additional and revised disclosure requirements which have been adopted in these financial statements. Comparative amounts for the prior year have been restated in order to achieve a consistent presentation.

The adoption of these new and revised SSAPs has resulted in the following changes to the Group's accounting policies that have affected the amounts reported for the current or prior periods.

### Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) *Events after the Balance Sheet Date*, dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively.

### Leases

The adoption of SSAP 14 (Revised) *Leases* has not resulted in any significant changes to the accounting treatment for leases and accordingly, no prior period adjustment has been required. Disclosures for the Group's leasing arrangements have been modified so as to comply with the requirements of SSAP 14 (Revised). Comparative amounts have been restated in order to achieve a consistent presentation.

### Segment reporting

The Group has changed the basis of identifying reportable segments to that required by SSAP 26 *Segment Reporting*. Segment disclosures for the year ended 31st December, 2000 have been amended so that they are presented on a consistent basis.

### Goodwill

In adopting SSAP 30 *Business Combinations*, the Group has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Accumulated amortisation and impairment losses in respect of goodwill between the date of acquisition of the relevant subsidiary, associate or jointly controlled entity and the date of adoption of SSAP 30 have been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary, associate or joint venture and the date of adoption of SSAP 30 has been recognised retrospectively. Following restatement, goodwill is presented as an asset in the balance sheet and negative goodwill is presented as a deduction from assets. Goodwill is amortised over its estimated useful life. Negative goodwill is released to income based on an analysis of the circumstances from which the balance resulted.

**2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE (Continued)****Goodwill (Continued)**

The financial effect of the adoption of the new/revised accounting policies described above is summarised below:

	Capital reserve	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Balance at 1st January, 2000				
As originally stated	237,709	—	2,005,492	2,243,201
Derecognition of liability for final dividend for 1999	—	50,490	—	50,490
Restatement as an asset of goodwill released upon liquidation of an associate with retrospective recognition of accumulated amortisation and post impairment losses	16,197	—	(16,197)	—
Restatement of negative goodwill held in reserves with retrospective release to income	(253,906)	—	73,601	(180,305)
As restated	—	50,490	2,062,896	2,113,386

The effect of these changes in accounting policies on the results for the current and prior year is as follows:

	Year ended 31.12.2001	Year ended 31.12.2000
	HK\$'000	HK\$'000
Restatement as an asset of goodwill released upon liquidation of an associate with retrospective recognition of accumulated amortisation and post impairment losses	—	16,197
Recognition of impairment loss in respect of goodwill (note 21)	—	(80,396)
Release of negative goodwill to income (note 19)	12,266	12,266
	12,266	(51,933)

**3. SIGNIFICANT ACCOUNTING POLICIES**

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain 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 as follows:

**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.

All significant inter-company transactions and balances within the Group have been eliminated on consolidation.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### 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, associate or jointly controlled entity at the date of acquisition.

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

On the disposal of a subsidiary, associate or jointly controlled entity, the attributable amount of unamortised goodwill is included in the determination of the profit or loss on disposal.

#### 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, associate or jointly controlled entity at the date of acquisition over the cost of acquisition.

Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

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 period in which those losses or expenses arise. The remaining negative goodwill is recognised as income on a straight-line basis over the remaining useful lives of the identifiable depreciable assets acquired. To the extent that such negative goodwill exceeds the aggregate fair value of the identifiable non-monetary assets acquired, it is recognised as income immediately.

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

#### Revenue recognition

##### *Development properties*

When properties are developed for sale, income is recognised only when the sale is completed and when the relevant building occupation/sale permit is issued by the relevant authority. Payments received from purchasers prior to this stage are recorded as sales deposits under current liabilities.

##### *Others*

Rental income, including rentals invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the term of the relevant lease.

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are rendered.

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

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

Securities trading income is recognised on a trade-date basis when contracts are executed.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Leases

Leases are classified as finance leases 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 leases are capitalised at their fair value 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 fair value of the assets acquired, are charged to the income statement over the period of the relevant leases 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.

#### 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. They are revalued at intervals of not more than three years by independent professionally qualified valuers. In each of the intervening years, valuations are undertaken by professionally qualified executives of the Group. Any surplus or deficit arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance of this reserve is insufficient to cover a deficit, in which case the excess of the deficit over the balance on 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 the disposal of an investment property, the balance on the investment property revaluation reserve attributable to that property is transferred to the income statement.

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

#### Property, plant and equipment

Property, plant and equipment other than properties under development are stated at cost less depreciation or amortisation and accumulated impairment losses.

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.

Depreciation or amortisation is provided to write off the cost of items of property, plant and equipment other than properties under development 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:

Land and buildings	2% to 4%
Furniture, fixtures and equipment	25%
Motor vehicles	25%
Plant and machinery	10%
Leasehold improvements	25%



### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Impairment

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible 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. Impairment loss is recognised as an expense immediately.

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. A reversal of an impairment loss is recognised as income immediately.

#### Properties under development

Properties under development for investment purposes are classified under property, plant and equipment and are stated at cost less any identified impairment loss.

Properties under development for sale are classified under current assets and are stated at the lower of cost and net realisable value.

Cost comprises land cost and development costs including attributable borrowing costs and charges capitalised during the development period.

#### Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised.

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

#### Investments in subsidiaries

A subsidiary is an enterprise controlled by the Company.

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

#### Interests in associates

An associate is an enterprise over which the Group is in a position to exercise significant influence, through participation in financial and operating policy decisions.

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

When the Group transacts with its associates, unrealised profits and losses are eliminated to the extent of the Group's interest in the relevant associates, except where unrealised losses provide evidence of an impairment of the asset transferred.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control.

#### *Jointly controlled entities*

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

When the Group transacts with a jointly controlled entity, unrealised profits and losses are eliminated to the extent of the Group's interest in the joint venture, except where unrealised losses provide evidence of an impairment of the asset transferred.

#### *Other joint venture arrangements*

Investments in the form of joint venture structures which do not result in the Group having joint control with the other venturers are accounted for as subsidiaries (where the Group controls the joint venture), associates (where the Group is in a position to exercise significant influence) or other investments in securities (where the Group exercises neither control nor significant influence).

#### Investments in securities

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

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity debt security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

All securities other than held-to-maturity debt securities are measured at subsequent reporting dates at fair value.

Where securities are held for trading purposes, unrealised gains and losses are included in net profit or loss for the period. For other securities, unrealised gains and losses are dealt with in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss is included in net profit or loss for the period.

#### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, costs of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using the first-in, first-out method.

#### Transactions costs on bank borrowings

The transaction costs incurred in connection with the bank borrowings raised are deferred and charged to the income statement over the period of the bank borrowings from the date of bank borrowings withdrawn to the final repayment maturity date so as to produce a constant periodic rate of charge on the remaining balance of the bank borrowings for each accounting period.

### 3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

#### Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. Certain items of income and expense are recognised for tax purposes in a different accounting period from that in which they are recognised in the financial statements. The tax effect of the resulting 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 an asset will crystallise in the foreseeable future.

#### Foreign currencies

Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates ruling on the balance sheet date. Gains and losses arising on exchange are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, associates and jointly controlled entities which are denominated in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates ruling on the balance sheet date. All exchange differences arising on consolidation are dealt with in reserves.

#### Quotas

Revenue from the sale of, and the cost of acquiring, temporary quotas are dealt with in the income statement at the time of shipments or when the sale of the related goods is completed. Quotas allocated by the authorities in Hong Kong are not recognised in the financial statements. The cost of permanent quotas acquired is amortised over three years after the year of acquisition.

### 4. TURNOVER

Turnover comprises:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Gross rental income	457,723	501,753
Gross invoiced sales	139,270	142,138
Interest income	54,135	117,094
Agency and service fees income	2,437	5,213
Proceeds from sale of securities	—	4,434
Dividend income	2,272	3,628
Gross proceeds from sale of properties	—	810
Project management fee income	664	664
	<b>656,501</b>	<b>775,734</b>

### 5. OTHER REVENUE

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Included in other revenue is:		
Exchange gain, net	301	2,336

## 6. GEOGRAPHICAL AND BUSINESS SEGMENTS

**Geographical segments**

The operations of the Group are currently located in New Zealand, Australia, Greater China other than Hong Kong, Hong Kong and Indonesia. The corresponding geographical locations of the Group's assets are the basis on which the Group reports its primary segment information.

	Year ended 31st December, 2001						
	New Zealand	Australia	Greater China other than Hong Kong	Hong Kong	Indonesia	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>							
External sales	161,269	169,045	4,215	318,754	3,218	—	656,501
Inter-segment revenue*	—	17,723	—	20,465	—	(38,188)	—
<b>Total revenue</b>	<b>161,269</b>	<b>186,768</b>	<b>4,215</b>	<b>339,219</b>	<b>3,218</b>	<b>(38,188)</b>	<b>656,501</b>
<b>RESULT</b>							
Segment result	107,679	96,909	(7,495)	201,668	2,780	—	401,541
Unallocated corporate expenses							(38,916)
Profit from operations							362,625
Finance costs							(272,427)
Share of results of associates	—	(3,336)	—	(12,071)	—	—	(15,407)
Share of results of jointly controlled entities	—	—	(427)	—	—	—	(427)
Profit before taxation							74,364
Taxation							(4,348)
Profit before minority interests							70,016
Minority interests							(34,077)
<b>Net profit for the year</b>							<b>35,939</b>

\* Inter-segment revenue are charged at rates approximate to similar transactions with third parties.

## 6. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

### Geographical segments (Continued)

#### BALANCE SHEET AS AT 31ST DECEMBER, 2001

	New Zealand	Australia	Greater China other than Hong Kong	Hong Kong	Indonesia	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>						
Segment assets	1,688,799	1,992,179	627,052	3,634,600	95,285	8,037,915
Interests in associates	—	11,093	—	5,312	—	16,405
Interests in jointly controlled entities	—	—	39,248	—	—	39,248
Amounts due from jointly controlled entities	—	—	2,794	—	—	2,794
Consolidated total assets						8,096,362
<b>LIABILITIES</b>						
Segment liabilities	1,824,842	720,763	310,295	1,337,760	41,883	4,235,543
Consolidated total liabilities						4,235,543

#### OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2001

	New Zealand	Australia	Greater China other than Hong Kong	Hong Kong	Indonesia	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	136,192	1,814	5,460	4,695	—	148,161
Depreciation and amortisation	2,110	613	440	2,353	23	5,539
Impairment losses recognised in income statement	—	—	—	823	—	823
Other non-cash expenses	2,933	—	—	2,823	—	5,756

For the year ended 31st December, 2001

## 6. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

## Geographical segments (Continued)

	Year ended 31st December, 2000						
	New Zealand	Australia	Greater China other than Hong Kong	Hong Kong	Indonesia	Eliminations	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>REVENUE</b>							
External sales	196,734	136,186	1,455	435,305	6,054	—	775,734
Inter-segment revenue*	—	9,150	—	23,918	—	(33,068)	—
<b>Total revenue</b>	<b>196,734</b>	<b>145,336</b>	<b>1,455</b>	<b>459,223</b>	<b>6,054</b>	<b>(33,068)</b>	<b>775,734</b>
<b>RESULT</b>							
Segment result	132,095	69,538	(14,620)	357,405	(19,717)	—	524,701
Unallocated corporate expenses							(48,403)
Profit from operations							476,298
Finance costs							(300,871)
Share of results of associates	—	4,481	—	7,721	—	—	12,202
Share of results of jointly controlled entities	—	—	22	—	—	—	22
Impairment loss recognised in respect of goodwill on acquisition of associates	—	(60,620)	—	(19,776)	—	—	(80,396)
Profit before taxation							107,255
Taxation							(7,829)
Profit before minority interests							99,426
Minority interests							(48,634)
<b>Net profit for the year</b>							<b>50,792</b>

\* Inter-segment revenue are charged at rates approximate to similar transactions with third parties.

## 6. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

### Geographical segments (Continued)

BALANCE SHEET AS AT 31ST DECEMBER, 2000

	New Zealand	Australia	Greater China other than Hong Kong	Hong Kong	Indonesia	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>ASSETS</b>						
Segment assets	2,189,618	2,433,175	530,373	3,711,688	106,804	8,971,658
Interests in associates	—	23,496	—	11,283	—	34,779
Interests in jointly controlled entities	—	—	39,679	—	—	39,679
Amounts due from jointly controlled entities	—	—	2,844	—	—	2,844
<b>Consolidated total assets</b>						<b>9,048,960</b>
<b>LIABILITIES</b>						
Segment liabilities	1,934,336	1,112,261	276,610	1,234,170	48,034	4,605,411
<b>Consolidated total liabilities</b>						<b>4,605,411</b>

OTHER INFORMATION FOR THE YEAR ENDED 31ST DECEMBER, 2000

	New Zealand	Australia	Greater China other than Hong Kong	Hong Kong	Indonesia	Consolidated
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Capital additions	341,359	2,206	39,759	2,792	377	386,493
Depreciation and amortisation	3,432	158	330	1,451	31	5,402
Provision for impairment in properties under development	—	—	6,562	—	—	6,562
Impairment losses in respect of goodwill on acquisition of associates	—	60,620	—	19,776	—	80,396
Other non-cash expenses	36,334	—	656	3,754	—	40,744

Note: The location of assets is equivalent to the location of customers.

**6. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)****Business segments**

The Group is currently organised into four operating divisions - property investment, garment manufacturing and trading, investment and property development.

Principal activities are as follows:

Property investment	—	rental of properties
Garment manufacturing and trading	—	manufacturing and trading of garment products
Investment	—	investment in listed and non-listed securities, and treasury investments
Property development	—	development of properties

Other than the garment manufacturing and trading with its location of its operations mainly in Hong Kong, all the above divisions are operating in New Zealand, Australia, Greater China other than Hong Kong, Hong Kong and Indonesia.

The following table provides an analysis of the Group's sales revenue and contribution to profit from operations by business segment:

	Sales revenue by business segment		Contribution to profit from operations	
	Year ended 31.12.2001	Year ended 31.12.2000	Year ended 31.12.2001	Year ended 31.12.2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Property investment	456,685	502,111	352,370	373,985
Garment manufacturing and trading	139,270	142,138	32,663	48,510
Investment	57,254	126,756	49,248	130,927
Property development	1,333	1,438	(2,320)	(13,414)
Others	1,959	3,291	(30,420)	(15,307)
	<b>656,501</b>	775,734	<b>401,541</b>	524,701
Unallocated corporate expenses			(38,916)	(48,403)
Profit from operations			<b>362,625</b>	476,298



## 6. GEOGRAPHICAL AND BUSINESS SEGMENTS (Continued)

### Business segments (Continued)

The following is an analysis of the carrying amount of segment assets, and additions to investment properties and property, plant and equipment analysed by business segments:

	Carrying amount of segment assets		Additions to investment properties and property, plant and equipment	
	Year ended 31.12.2001	Year ended 31.12.2000	Year ended 31.12.2001	Year ended 31.12.2000
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Property investment	5,708,645	6,710,300	139,844	366,431
Garment manufacturing and trading	26,809	23,908	2,220	1,396
Investment	1,389,511	1,425,786	—	—
Property development	828,762	743,477	4,027	16,460
Others	27,609	8,950	2,070	2,206
	<b>7,981,336</b>	8,912,421	<b>148,161</b>	386,493
Unallocated corporate assets	56,579	59,237		
	<b>8,037,915</b>	8,971,658		

## 7. NET LOSS ON INVESTMENTS AND PROPERTIES

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i> (as restated)
Loss on disposal of investment properties	(46,461)	(42,940)
Unrealised loss on investment in listed securities	(2,275)	(3,989)
Loss on dilution of interests in subsidiaries	(1,354)	—
Impairment loss reversed in respect of properties for sale	6,548	15,177
Gain on deemed disposal of associates	1,990	—
Provision for impairment in properties under development	—	(6,562)
Loss on disposal of subsidiaries	—	(26,277)
Gain on liquidation of an associate	—	395
	<b>(41,552)</b>	(64,196)

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## 8. PROFIT FROM OPERATIONS

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Auditors' remuneration		
Provision for the year	2,636	2,485
Overprovision for prior years	(365)	—
	<b>2,271</b>	<b>2,485</b>
Depreciation and amortisation		
– owned assets	5,128	5,173
– assets held under finance leases	411	332
Less: Amounts capitalised to property development projects	—	(103)
	<b>5,539</b>	<b>5,402</b>
Bad debts written off	2,127	1,055
Cost of inventories of finished goods sold	79,792	86,357
Cost of inventories of properties sold	63,054	18,143
Directors' emoluments ( <i>note 10</i> )	8,269	10,474
Loss on disposal of property, plant and equipment	4,690	657
Provision for mortgage loans receivable	—	9,423
Realised loss on disposal of investment in securities	—	3,070
Rental payments under operating leases	17,407	7,134
and crediting:		
Gross rental income from investment properties	456,538	481,685
Less: Outgoings	(68,904)	(31,279)
Net rental income from investment properties	387,634	450,406
Net rental income from other properties	1,185	20,068
	<b>388,819</b>	<b>470,474</b>
Interest earned on bank deposits	51,696	115,350
Other interest income	2,439	1,744
	<b>54,135</b>	<b>117,094</b>
Less: Amount capitalised to property development projects	—	(520)
	<b>54,135</b>	<b>116,574</b>
Dividend income from listed investments	2,111	2,660
Dividend income from unlisted investments	161	968
Realised gain on disposal of investment in securities	2,782	—

## 9. FINANCE COSTS

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
Bank loans and overdrafts wholly repayable within 5 years	183,295	302,724
Other loan wholly repayable within 5 years	8,036	19,752
Bank loans not wholly repayable within 5 years	68,163	30,814
Obligations under finance leases	248	181
Convertible capital notes/bonds	12,750	—
Total borrowing costs	272,492	353,471
Less: Amounts capitalised to property development projects	(1,728)	(52,600)
	270,764	300,871
Facilities charges	1,663	—
	272,427	300,871

Borrowing costs capitalised during the year arose on the general borrowing pool and is calculated by applying a capitalisation rate of 6.84% (2000: 7.23%) to expenditure on qualifying assets.

## 10. DIRECTORS' EMOLUMENTS

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Directors' fees:		
Executive	70	70
Non-executive	50	70
Independent non-executive	40	40
	160	180
Management remuneration:		
Executive		
Salaries and other benefits	5,525	5,525
Discretionary payments	500	500
Performance based bonus	1,260	3,445
Contributions to pension scheme	744	744
Independent non-executive		
Other remuneration	80	80
	8,109	10,294
	8,269	10,474

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**10. DIRECTORS' EMOLUMENTS (Continued)**

Their emoluments are within the following bands:

	2001	2000
	Number of directors	Number of directors
Nil to HK\$500,000	4	6
HK\$500,001 to HK\$1,000,000	1	—
HK\$2,500,001 to HK\$3,000,000	1	1
HK\$4,500,001 to HK\$5,000,000	1	—
HK\$6,500,001 to HK\$7,000,000	—	1
	7	8

**11. EMPLOYEES' EMOLUMENTS**

Of the five individuals with the highest emoluments in the Group, two (2000: two) were directors whose emoluments are included in the disclosures in note 10. The emoluments of the remaining three (2000: three) individuals are as follows:

	2001	2000
	HK\$'000	HK\$'000
Salaries and other remuneration	5,269	6,493
Contributions to pension scheme	103	—
	5,372	6,493

Their emoluments are within the following bands:

	2001	2000
	Number of employees	Number of employees
HK\$1,000,001 to HK\$1,500,000	2	1
HK\$1,500,001 to HK\$2,000,000	—	1
HK\$2,500,001 to HK\$3,000,000	1	—
HK\$3,500,001 to HK\$4,000,000	—	1
	3	3

## 12. TAXATION

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
The charge comprises:		
Company and subsidiaries		
Hong Kong Profits Tax	6,446	8,079
Income tax outside Hong Kong	165	117
	<b>6,611</b>	8,196
Deferred taxation credit	<b>(2,263)</b>	(367)
	<b>4,348</b>	7,829

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profits. Taxation outside Hong Kong is calculated at the rates prevailing in the respective jurisdictions. Details of the potential deferred tax asset (liability) are set out in note 39.

## 13. NET PROFIT FOR THE YEAR

Of the Group's net profit for the year of HK\$35,939,000 (2000: HK\$50,792,000), loss of HK\$54,928,000 (2000: profit of HK\$15,732,000) has been dealt with in the financial statements of the Company.

## 14. DIVIDENDS PAID

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Dividends paid		
2001 interim, paid - HK 6 cents per share on 511,246,868 shares (2000 interim, paid: HK 6 cents per share on 505,293,586 shares)	30,675	30,318
2000 final, paid - HK 10 cents per share on 507,293,586 shares (1999 final, paid: HK 10 cents per share on 504,901,413 shares)	50,729	50,490
Additional prior year's final dividend paid on exercise of share options and 2008 warrants subsequent to the issue of the annual report	395	39
	<b>81,799</b>	80,847

The final dividend of HK 10 cents (2000: HK 10 cents) per share has been proposed by the directors and is subject to approval by shareholders in general meeting.

For the year ended 31st December, 2001

**15. EARNINGS PER SHARE**

The calculation of the basic and diluted earnings per share is based on the following data:

<b>Earnings</b>	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Net profit for the year	<b>35,939</b>	50,792
Earnings for the purposes of basic earnings per share	<b>35,939</b>	50,792
Effect of dilutive potential ordinary shares:		
Adjustment to the share of results of subsidiaries/associates based on dilution of their earnings per share (Note)	—	(4,376)
Earnings for the purposes of diluted earnings per share	<b>35,939</b>	46,416
<b>Number of shares</b>	<b>2001</b>	2000
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>509,885,312</b>	505,210,911
Effect of dilutive potential ordinary shares:		
Options	<b>5,600,000</b>	4,571,434
Warrants	<b>28,572,775</b>	54,194,947
Weighted average number of ordinary shares for the purposes of diluted earnings per share	<b>544,058,087</b>	563,977,292

*Note:* The computation of diluted earnings per share for the year ended 31st December, 2001 did not assume the exercise of the right of conversion of the capital convertible note of a subsidiary as the effect of which would increase the profit per share for that year.

## 16. INVESTMENT PROPERTIES

	In New Zealand and Australia held freehold	In Hong Kong held under long leases	In Hong Kong held under medium- term leases	In other regions of the People's Republic of China ("PRC") held under medium- term leases	In Australia held under long leases	In New Zealand held under short lease	In New Zealand held under long lease	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>								
VALUATION								
At 1st January, 2001	3,899,974	110,000	2,251,000	33,300	97,223	6,874	412,857	6,811,228
Exchange adjustments	(275,640)	—	—	—	(7,650)	(396)	(19,261)	(302,947)
Additions	49,572	—	—	1,433	—	—	1,512	52,517
Reclassified out	—	—	—	—	—	—	(21,691)	(21,691)
(Deficit) surplus on valuation	(202,670)	(11,000)	(101,000)	1,667	1,990	—	7,259	(303,754)
Disposals	(425,519)	—	—	—	—	—	(160,414)	(585,933)
<b>At 31st December, 2001</b>	<b>3,045,717</b>	<b>99,000</b>	<b>2,150,000</b>	<b>36,400</b>	<b>91,563</b>	<b>6,478</b>	<b>220,262</b>	<b>5,649,420</b>
DEPRECIATION								
At 1st January, 2001	—	—	—	—	—	5,295	—	5,295
Exchange adjustments	—	—	—	—	—	(305)	—	(305)
Provided for the year	—	—	—	—	—	1,274	—	1,274
<b>At 31st December, 2001</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>6,264</b>	<b>—</b>	<b>6,264</b>
NET BOOK VALUES								
<b>At 31st December, 2001</b>	<b>3,045,717</b>	<b>99,000</b>	<b>2,150,000</b>	<b>36,400</b>	<b>91,563</b>	<b>214</b>	<b>220,262</b>	<b>5,643,156</b>
At 31st December, 2000	4,072,082	110,000	2,251,000	33,300	97,223	1,579	240,749	6,805,933

The Group's investment properties have been revalued as at 31st December, 2001 on an open market value basis by independent professional valuers as follows:

**Properties situated in:**

**Name of independent professional valuer**

Hong Kong held under medium-term and long leases	CB Richard Ellis Limited, Independent Professional Valuer
PRC held under medium-term leases	CB Richard Ellis Limited, Independent Professional Valuer
New Zealand and Australia held under long leases	Colliers Jardine Consultancy and Valuation Pty Limited, Jones Lang La Salle Limited, International Property Consultants
New Zealand and Australia held freehold	CB Richard Ellis Limited, Independent Professional Valuer, DTZ Darroch Limited, Jones Lang La Salle Limited, International Property Consultants

The Group's investment properties situated in New Zealand held under short lease are stated at valuation made by the board of directors of the subsidiary.

The above-mentioned valuations have been adopted by the directors in these financial statements and the net deficit arising on revaluation, amounting to HK\$214,511,000, has been debited to the investment properties revaluation reserve.

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## 17. PROPERTY, PLANT AND EQUIPMENT

	Properties under development (note a)	Land and buildings (note b)	Furniture, fixtures and equipment (note c)	Motor vehicles (note c)	Plant and machinery	Leasehold improvements	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>							
COST							
At 1st January, 2001	412,582	744	20,120	10,119	2,281	2,419	448,265
Exchange adjustments	(444)	(31)	(516)	(250)	—	—	(1,241)
Additions	87,129	—	5,186	2,414	883	32	95,644
On acquisition of subsidiaries	—	—	681	—	—	46	727
Disposals	(29,957)	(272)	(2,466)	(2,421)	(125)	—	(35,241)
Reclassified out	(200,588)	—	—	—	—	—	(200,588)
<b>At 31st December, 2001</b>	<b>268,722</b>	<b>441</b>	<b>23,005</b>	<b>9,862</b>	<b>3,039</b>	<b>2,497</b>	<b>307,566</b>
DEPRECIATION AND AMORTISATION/IMPAIRMENT							
At 1st January, 2001	25,073	132	14,088	6,588	1,141	2,127	49,149
Exchange adjustments	—	(6)	(351)	(37)	—	—	(394)
Provided for the year	—	19	2,318	1,393	333	202	4,265
Eliminated on disposals	—	(47)	(687)	(2,225)	(87)	—	(3,046)
Reclassified out	(25,073)	—	—	—	—	—	(25,073)
<b>At 31st December, 2001</b>	<b>—</b>	<b>98</b>	<b>15,368</b>	<b>5,719</b>	<b>1,387</b>	<b>2,329</b>	<b>24,901</b>
NET BOOK VALUES							
<b>At 31st December, 2001</b>	<b>268,722</b>	<b>343</b>	<b>7,637</b>	<b>4,143</b>	<b>1,652</b>	<b>168</b>	<b>282,665</b>
At 31st December, 2000	387,509	612	6,032	3,531	1,140	292	399,116

## (a) Properties under development

	In other regions of PRC under long lease	In New Zealand and Australia under long lease	Total
	HK\$'000	HK\$'000	HK\$'000
COST			
At 1st January, 2001	404,283	8,299	412,582
Exchange adjustment	34	(478)	(444)
Additions	5,090	82,039	87,129
Disposals	—	(29,957)	(29,957)
Reclassified (out) in	(222,279)	21,691	(200,588)
<b>At 31st December, 2001</b>	<b>187,128</b>	<b>81,594</b>	<b>268,722</b>



## 17. PROPERTY, PLANT AND EQUIPMENT (Continued)

### (a) Properties under development (Continued)

At 31st December, 2001, the total borrowing costs capitalised to properties under development were HK\$128,462,000 (2000: HK\$126,734,000) of which HK\$1,728,000 (2000: HK\$52,600,000) was incurred during the year. The total amount of depreciation on furniture, fixtures and equipment capitalised to properties under development was HK\$299,000 (2000: HK\$299,000) of which HK\$NIL (2000: HK\$17,000) was charged during the year. The total amount of depreciation on motor vehicles capitalised to properties under development was HK\$1,768,000 (2000: HK\$1,768,000) of which HK\$NIL (2000: HK\$86,000) was charged during the year.

### (b) Land and buildings

	In other regions of the PRC under long lease	In the Republic of Indonesia under long lease	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>COST</b>			
At 1st January, 2001	408	336	744
Exchange adjustments	—	(31)	(31)
Disposals	(272)	—	(272)
<b>At 31st December, 2001</b>	<b>136</b>	<b>305</b>	<b>441</b>

(c) At 31st December, 2001, the carrying value of furniture, fixtures and equipment includes an amount of HK\$1,152,000 (2000: HK\$NIL) in respect of assets held under finance leases and the carrying value of motor vehicles includes an amount of HK\$1,419,000 (2000: HK\$1,812,000) in respect of assets held under finance leases.

## 18. PERMANENT QUOTAS

	<b>THE GROUP</b>
	<i>HK\$'000</i>
COST — at 1st January, 2001 and at 31st December, 2001	85,511
AMORTISATION — at 1st January, 2001 and at 31st December, 2001	(85,511)
<b>CARRYING AMOUNT — at 31st December, 2001 and at 31st December, 2000</b>	<b>—</b>

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## 19. NEGATIVE GOODWILL

	THE GROUP
	<i>HK\$'000</i>
	(restated)
GROSS AMOUNT	
At 1st January, 2001 and 31st December, 2001	253,906
RELEASED TO INCOME	
At 1st January, 2001	85,867
Released in the year ( <i>note 2</i> )	12,266
At 31st December, 2001	98,133
CARRYING AMOUNT	
At 31st December, 2001	155,773
At 31st December, 2000	168,039

The negative goodwill is released to income on a straight-line basis over 20 years, being the estimated remaining weighted average useful life of the assets acquired.

## 20. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Unlisted investments, shares at cost (less amounts written off)	259,461	259,461
Less: Impairment losses recognised	(122,875)	(122,875)
	136,586	136,586

The directors are of the opinion that a complete list of the particulars of all subsidiaries of the Group will be of excessive length and therefore the following list contains only the particulars of subsidiaries which principally affect the results or assets of the Group.

## 20. INVESTMENTS IN SUBSIDIARIES (Continued)

Details of the principal subsidiaries, all of which are companies with limited liability, at 31st December, 2001 are set out as below:

	Place/country of incorporation/ operation	Issued and paid up share capital	Effective percentage of issued equity share capital held by the Company	Principal activities
<b>DIRECT SUBSIDIARY</b>				
Chisel Limited	The British Virgin Islands/ Hong Kong	2 ordinary shares of US\$1 each	100	Investment holding
Modern Tender Limited	The British Virgin Islands	1 ordinary share of US\$1	100	Investment holding
S E A Holdings (NZ) Limited	The British Virgin Islands/ Hong Kong	1 ordinary share of US\$1	100	Investment holding
SEABO Pacific Limited	Bermuda	767,919 ordinary shares of HK\$1 each	100	Investment holding
South-East Asia Investment and Agency Company, Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	100	Investment holding
<b>INDIRECT SUBSIDIARY</b>				
AGP Management Pty Ltd.***	Australia	AUD350,000	100	Property and asset management
Asia Pacific Investment and Management Service N.V.***	Netherlands Antilles	US\$6,000	100	Consultancy and management services
Chengdu Huashang House Development Co., Ltd.	PRC *	RMB133,420,000	97	Property development
Cybapolis Limited	Hong Kong	90 ordinary shares of HK\$1 each and 110 Series A Convertible Preferred Shares of HK\$1 each **	68	Software development
DFreedomZone Inc.	The United States of America	808,333 common stock of US\$0.01 each and 191,667 Series A Convertible Preferred Stock of US\$0.01 each **	68	Software development
Guangzhou Yingfat House Property Development Co., Ltd.	PRC *	US\$20,110,000	100	Property development
Guangzhou Yingtat House Property Development Co., Ltd.	PRC *	US\$5,000,000	100	Property development

## 20. INVESTMENTS IN SUBSIDIARIES (Continued)

	Place/country of incorporation/ operation	Issued and paid up share capital	Effective percentage of issued equity share capital held by the Company	Principal activities
<b>INDIRECT SUBSIDIARY</b> (Continued)				
Handy View Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property investment and garment trading
Polyfull Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property development
Shinning Worldwide Limited	The British Virgin Islands/ Hong Kong	1,000 ordinary shares of US\$1 each	55	Property development
Top Greenery Limited	The British Virgin Islands	1 ordinary share of US\$1	100	Fund management
Trans Tasman Properties Limited ***	New Zealand	598,709,450 shares of no par value	54.8	Property investment and development
UniMilo's Knitwear Company Limited	Hong Kong	10,000,000 ordinary shares of HK\$1 each	60	Garment manufacturing
Wing Siu Company Limited	Hong Kong	2 ordinary shares of HK\$1 each	100	Property investment

*Notes:*

\* These companies are incorporated in the form of Sino-foreign co-operative joint ventures.

\*\* The holders of each of the ordinary shares/common stocks, Series A Convertible Preferred shares/stocks and holders of the preference convertible promissory notes (see note 34(b)), have same voting rights on a one to one basis as specified in respective companies' Memorandum and Articles of Association.

\*\*\* The financial statements are not audited by Deloitte Touche Tohmatsu.

Except for the above, none of the subsidiaries had issued any debt securities at the end of the year.

## 21. INTERESTS IN ASSOCIATES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets – unlisted	16,405	34,779
Goodwill on acquisition of associates	80,396	80,396
Impairment loss recognised ( <i>note 2</i> )	(80,396)	(80,396)
	16,405	34,779

Liquidation of Global Property Fund, which was formerly listed in Australia and in which an effective 12.5% equity interest was owned by the Group, commenced on 28th June, 2000. The estimated recoverable amount of this investment amounted to HK\$14,133,000 was reclassified to other investments at 31st December, 2000 as the Group no longer exerted influence on its operation.

The goodwill arose from acquisition of the associates in 2000. As the results after the acquisition of these associates were significantly below the original expectation, the directors were of the opinion that future positive returns from these investments were uncertain and the excess of the purchase consideration over the fair value of the underlying net assets representing goodwill of HK\$80,396,000 was therefore considered as impaired and charged retrospectively to the income statement for the year ended 31st December, 2000.

Details of the Group's associates at 31st December, 2001, all of which are companies with limited liability, are as follows:

Name of associate	Place/country of incorporation/operation	Class of shares held	Effective percentage of nominal value of issued equity capital held by the Group	Principal activities
e-commerce Logistics Limited	Hong Kong	Ordinary	35	e-fulfillment, warehousing and delivery services
GSB Supplycorp Limited	New Zealand	Ordinary	42	Public sector e-procurement
Professional Service Brokers Limited	New Zealand	Ordinary Preference	42 42	e-Procurement management
Supplynet Limited	New Zealand	Ordinary	40	e-commerce marketplace

## 22. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Share of net assets	—	—
Loan to a jointly controlled entity	53,376	53,380
Impairment loss recognition	(14,128)	(13,701)
	39,248	39,679

The loans are unsecured and interest free.

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**22. INTERESTS IN JOINTLY CONTROLLED ENTITIES (Continued)**

As at 31st December, 2001, the Group had interests in the following jointly controlled entities formed as Sino-foreign equity joint ventures:

Name of entity	Country of registration/ operation	Registered capital	Effective percentage of registered equity capital held by the Group	Principal activities
Chengdu Mingqiang Real Estate Co., Ltd.	PRC	US\$6,000,000	50	Property development
Sichuan Jinhong Cement Co., Ltd.	PRC	US\$10,000,000	50	Cement manufacturing

**23. OTHER INVESTMENTS****INVESTMENT IN SECURITIES**

	Held to maturity securities		Non-trading securities		Trading securities		Total	
	2001	2000	2001	2000	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (restated)	HK\$'000	HK\$'000	HK\$'000	HK\$'000 (restated)
<b>THE GROUP</b>								
Debt security:								
Listed – overseas	20,000	20,090	—	—	—	—	20,000	20,090
Unlisted	11	47	—	—	—	—	11	47
	<b>20,011</b>	20,137	—	—	—	—	<b>20,011</b>	20,137
Equity securities:								
Listed – Hong Kong	—	—	78,398	102,901	1,892	4,167	80,290	107,068
– overseas	—	—	3,897	22	—	—	3,897	22
Unlisted	—	—	16,246	14,761	18,825	—	35,071	14,761
	—	—	<b>98,541</b>	117,684	<b>20,717</b>	4,167	<b>119,258</b>	121,851
Club debentures/memberships:								
Unlisted	—	—	9,674	10,674	—	—	9,674	10,674
	<b>20,011</b>	20,137	<b>108,215</b>	128,358	<b>20,717</b>	4,167	<b>148,943</b>	152,662
Market value of listed securities	<b>20,518</b>	20,439	<b>82,295</b>	102,923	<b>1,892</b>	4,167	<b>104,705</b>	127,529
Carrying amount analysed for reporting purposes as:								
Current	<b>20,000</b>	—	—	—	<b>20,717</b>	4,167	<b>40,717</b>	4,167
Non-current	11	20,137	<b>108,215</b>	128,358	—	—	<b>108,226</b>	148,495

Included in the non-trading securities is an amount of 15,618,000 (2000: HK\$14,133,000) being the interest in a Global Property Fund reclassified from interest in associate since its liquidation (see note 21).

## 24. AMOUNTS DUE FROM JOINTLY CONTROLLED ENTITIES

### THE GROUP

The amounts are unsecured and interest-free. In the opinion of the directors, the amounts will not be demanded for repayment within the next twelve months from the balance sheet date and accordingly, the amounts are shown as non-current.

## 25. OTHER LOANS RECEIVABLE

### THE GROUP

The other loans receivable are secured by mortgages over certain leasehold properties, carry interest at commercial rate and are repayable in accordance with their respective repayment terms.

## 26. INVENTORIES

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Raw materials	65	664
Work-in-progress	6,387	2,723
Finished goods	903	—
	<b>7,355</b>	<b>3,387</b>

Included above are finished goods of HK\$753,000 (2000: HK\$NIL) carried at net realisable value.

## 27. PROPERTIES FOR SALE

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Completed	3,489	68,774
Under development	490,105	235,262
	<b>493,594</b>	<b>304,036</b>

Included in the above are completed properties for sale and properties under development for sale of HK\$3,489,000 (2000: HK\$68,774,000) and HK\$490,105,000 (2000: HK\$235,262,000) respectively which are carried at net realisable values.

During the year, HK\$197,206,000 (2000: HK\$31,858,000) were transferred from properties under development.

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## 28. DEBTORS, DEPOSITS AND PREPAYMENTS

The Group has a policy of allowing an average credit period of 2.5 months to its trade customers.

Included in the Group's debtors, deposits and prepayments are trade debtors of HK\$29,644,000 (2000: HK\$27,562,000), an aged analysis of which at the balance sheet date is as follows:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 60 days	20,273	19,279
61 to 90 days	2,060	3,494
91 to 365 days	6,750	2,774
Over 365 days	561	2,015
	<b>29,644</b>	<b>27,562</b>

## 29. ADVANCES TO DIRECTORS OF AN INDIRECT SUBSIDIARY

	Mr. Donald I. Fletcher	Mr. R.J. Hodge	Total
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at beginning of the year	1,192	114	1,306
Balance at end of the year	1,074	—	1,074
Maximum amount outstanding during the year	1,192	114	
Interest rate per annum	Nil	4.3%	

The above advances are unsecured and repayable on demand.

## 30. AMOUNTS DUE FROM (TO) SUBSIDIARIES

### THE COMPANY

The amounts are unsecured, non-interest bearing and repayable on demand.

## 31. AMOUNTS DUE FROM (TO) ASSOCIATES

### THE GROUP

The amounts are unsecured, non-interest bearing and repayable on demand.

## 32. CREDITORS, DEPOSITS AND ACCRUED CHARGES

Included in the Group's creditors, deposits and accrued charges are trade creditors of HK\$39,827,000 (2000: HK\$26,148,000), an aged analysis of which at the balance sheet date is as follows:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 60 days	29,815	18,981
61 to 90 days	3,200	3,982
91 to 365 days	787	2,525
Over 365 days	6,025	660
	<b>39,827</b>	<b>26,148</b>



### 33. PROVISIONS

	THE GROUP 2001
	<i>HK\$'000</i>
At beginning of year	64,993
Additional provision in the year	1,984
Exchange adjustment	55
At end of year	67,032

The provisions are the compensation, for the delay in handover of rehousing properties to the former commercial unit owners ("affected owners") whose properties have been demolished due to the construction of a property for sale in PRC, and the estimated cost for the permanent relocation of certain of the affected owners who will not have rehousing properties allocated under management's plan. Such provisions are estimated based on management's best estimate by reference to the PRC statutory requirements and other relevant signed agreements.

The compensation will be paid upon completion of the development of that property.

### 34. BORROWINGS

	THE GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Bank loans and overdrafts		
– secured	3,457,602	4,019,136
– unsecured	200,000	—
Convertible capital notes ( <i>note a</i> )	—	142,378
2007 bonds ( <i>note a</i> )	134,176	—
Preference convertible promissory notes ( <i>note b</i> )	23,400	—
Obligations under finance leases	2,690	1,997
Other loans		
– secured	12,136	—
– unsecured	—	628
Total borrowings	3,830,004	4,164,139
Less: unamortised transactions costs on bank loans raised	(8,100)	—
Total net borrowings	3,821,904	4,164,139



**34. BORROWINGS (Continued)****(a) 2007 bonds/convertible capital notes**

The convertible capital notes ("CCN") originally matured on 27th June, 2004 and bore interest at 9.5% per annum. Upon maturity, the noteholders might elect to convert some or all of the notes into the shares of the issuer subsidiary, Trans Tasman Properties Limited ("TTP"), on a one for one basis and/or redeem some or all of the notes for NZD1 each. TTP reserved the right on maturity to override the noteholders' election to redeem their notes in cash and to allot shares at a discount instead. The notes were unsecured and subordinated to other debts of TTP until conversion.

A meeting of the holders of the CCN of TTP was held on 21st May, 2001, CCN holders resolved to accept the exchange of CCN for 2007 bonds on a one for one basis. The 2007 bonds have a face value of NZD1, carry a 10% per annum interest return and will mature on 27th June, 2007. The conversion was approved by the shareholders.

The 2007 bonds are secured by a floating charge over all the assets of TTP. TTP has the option to redeem the 2007 bonds, in full or on a pro-rata basis, with effect from 27th June, 2003 and thereafter on any interest payment date while the holders of the 2007 bonds have the option to require TTP to redeem 50% of the 2007 bonds with effect from 27th December, 2005.

TTP is a New Zealand public listed investment holding company and 54.8% of the shares in TTP is held by the Group as at 31st December, 2001.

**(b) Preference convertible promissory notes**

Pursuant to two Senior Convertible Note Purchase Agreements ("Agreements") dated 6th July, 2001 and approved by the board of directors of two indirect subsidiaries of the Company on 31st July, 2001, between the Group and an independent third party ("Investor"), the Group issued Preference Convertible Promissory Notes (the "Notes") with an aggregate principal of USD3,000,000 to the Investor on 1st August, 2001.

The Notesholders also have voting rights in the subsidiaries as specified in the respective subsidiaries' Memorandum and Articles of Association. The Notes bear zero interest rate and will mature on 6th July, 2004, the Notes will be converted into Series B preference shares/stocks of the subsidiaries upon maturity in accordance with the terms of the Agreements. At the option of the holders of the Notes and at any time during the term of the Notes, the holders may convert some or all the principal into the convertible preferred shares/stocks of the subsidiaries.

## 35. OBLIGATIONS UNDER FINANCE LEASES

	THE GROUP			
	Minimum lease payments		Present value of minimum lease payments	
	2001 HK\$'000	2000 HK\$'000	2001 HK\$'000	2000 HK\$'000
Amounts payable under finance leases:				
Within one year	692	408	475	259
In the second to fifth years inclusive	2,457	1,962	2,215	1,738
	<b>3,149</b>	2,370	<b>2,690</b>	1,997
Less: Future finance charges	(459)	(373)	N/A	N/A
Present value of lease obligations (note 34)	<b>2,690</b>	1,997	<b>2,690</b>	1,997

It is the Group's policy to lease certain of its motor vehicles, furniture, fixtures and equipment under finance leases. The average lease term is 4 years. For the year ended 31st December, 2001, the average effective borrowing rate was 7.2% per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

## 36. OTHER PAYABLES

	THE GROUP	
	2001 HK\$'000	2000 HK\$'000
The maturity of other payables is as follows:		
Within one year	4,715	17,854
More than two years, but not exceeding five years	18,859	18,843
	<b>23,574</b>	36,697
Less: Amounts due within one year shown under current liabilities	(4,715)	(17,854)
Amount due after one year	<b>18,859</b>	18,843

## 37. SHARE CAPITAL

Movements during the year in the share capital of the Company were as follows:

	Number of shares		Share capital	
	2001	2000	2001	2000
			<i>HK\$'000</i>	<i>HK\$'000</i>
Ordinary shares of HK\$0.1 each:				
Authorised:				
At beginning and end of year	<b>1,000,000,000</b>	1,000,000,000	<b>100,000</b>	100,000
Issued and fully paid:				
At beginning of year	<b>507,293,586</b>	504,901,413	<b>50,729</b>	50,490
Shares issued on exercise of share options	—	2,000,000	—	200
Shares issued on exercise of warrant subscription rights	<b>3,953,282</b>	392,173	<b>396</b>	39
At end of year	<b>511,246,868</b>	507,293,586	<b>51,125</b>	50,729

*Notes:*

- (a) During the year, certain holders of warrants exercised their rights to subscribe for 3,953,282 (2000: 392,173) ordinary shares at an exercise price of HK\$1.38 per share.
- (b) In 2000, certain option holders of the Company's Employee Share Option Scheme exercised their options to subscribe for 2,000,000 ordinary shares at an exercise price of HK\$1.85 per share.
- (c) Warrants  
The Company had outstanding warrants expiring in 2008 entitling the registered holders to subscribe in cash for fully paid shares of HK\$0.1 each of the Company at a subscription price of HK\$1.38 per share, subject to adjustment, until 3rd December 2008. As at the balance sheet date, the aggregate par value of shares issuable against the outstanding warrants amounted to HK\$12,101,985 (2000: HK\$12,497,314) and the amount receivable by the Company upon full exercise of the warrants amounted to HK\$167,007,394 (2000: HK\$172,462,925).
- Exercise in full of the rights attached to the 2008 warrants still outstanding at the balance sheet date would, under the present capital structure of the Company, result in the issue of 121,019,853 (2000: 124,973,135) additional shares of HK\$0.1 each.
- (d) Shares options  
At 31st December, 2001, the following share options to subscribe for shares were outstanding under the Company's Employee Share Option Scheme.

Date of grant	Exercisable period	Price per share to be paid on exercise of option	Number of options outstanding at beginning and end of year
		<i>HK\$</i>	
11.8.1992	11.8.1992 - 10.8.2002	1.85	21,000,000
18.11.1993	18.11.1993 - 17.11.2003	2.78	13,500,000
21.2.1994	21.2.1994 - 20.2.2004	4.40	2,200,000
4.12.2000	4.12.2000 - 3.12.2010	1.44	28,000,000
Gross total			64,700,000

No options were granted or exercised during the year.

For the year ended 31st December, 2001

## 38. RESERVES

	Share premium	Investment property revaluation reserve	Translation reserve	Investments revaluation reserve	Capital reserve	Capital redemption reserve	Contributed surplus	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE GROUP</b>										
At 1st January, 2000										
– as original stated	146,526	660,196	(92,096)	(7,012)	237,709	4,451	277,707	—	2,005,492	3,232,973
– prior period adjustment (see Note 2)	—	—	—	—	(237,709)	—	—	50,490	57,404	(129,815)
As restated	146,526	660,196	(92,096)	(7,012)	—	4,451	277,707	50,490	2,062,896	3,103,158
Revaluation surplus arising on investment properties	—	9,237	—	—	—	—	—	—	—	9,237
Released upon liquidation of an associate	—	—	(395)	—	—	—	—	—	—	(395)
Released upon disposal of investment properties	—	23,684	—	—	—	—	—	—	—	23,684
Exchange movement during the year	—	—	(104,236)	—	—	—	—	—	—	(104,236)
Premium on issue of shares upon exercise of Employees' options	3,500	—	—	—	—	—	—	—	—	3,500
Premium on issue of shares upon exercise of 2008 warrant rights	502	—	—	—	—	—	—	—	—	502
Unrealised holding loss on investments in securities	—	—	—	(27,687)	—	—	—	—	—	(27,687)
Net profit for the year	—	—	—	—	—	—	—	—	50,792	50,792
Dividends for 2000	—	—	—	—	—	—	—	81,086	(81,086)	—
Dividends paid	—	—	—	—	—	—	—	(80,847)	—	(80,847)
At 31st December, 2000	150,528	693,117	(196,727)	(34,699)	—	4,451	277,707	50,729	2,032,602	2,977,708
Revaluation deficit arising on investment properties	—	(214,511)	—	—	—	—	—	—	—	(214,511)
Realised upon disposal of investment properties	—	(8,756)	—	—	—	—	—	—	—	(8,756)
Exchange movement during the year	—	—	(111,323)	—	—	—	—	—	—	(111,323)
Premium on issue of shares upon exercise of 2008 warrant rights	5,060	—	—	—	—	—	—	—	—	5,060
Unrealised holding loss on investments in securities	—	—	—	(28,503)	—	—	—	—	—	(28,503)
Net profit for the year	—	—	—	—	—	—	—	—	35,939	35,939
Dividends for 2001	—	—	—	—	—	—	—	82,195	(82,195)	—
Dividends paid	—	—	—	—	—	—	—	(81,799)	—	(81,799)
At 31st December, 2001	155,588	469,850	(308,050)	(63,202)	—	4,451	277,707	51,125	1,986,346	2,573,815

## 38. RESERVES (Continued)

	Share premium	Investment property revaluation reserve	Translation reserve	Investments revaluation reserve	Capital reserve	Capital redemption reserve	Contributed surplus	Dividend reserve	Accumulated profits	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>THE COMPANY</b>										
At 1st January, 2000										
– as original stated	146,526	—	—	—	—	4,451	190,081	—	1,932,524	2,273,582
– prior period adjustment (see Note 2)	—	—	—	—	—	—	—	50,490	—	50,490
As restated	146,526	—	—	—	—	4,451	190,081	50,490	1,932,524	2,324,072
Premium on issue of shares upon exercise of 2008 warrant rights	502	—	—	—	—	—	—	—	—	502
Premium on issue of shares upon exercise of Employees' options	3,500	—	—	—	—	—	—	—	—	3,500
Net profit for the year	—	—	—	—	—	—	—	—	15,732	15,732
Dividends for 2000	—	—	—	—	—	—	—	81,086	(81,086)	—
Dividends paid	—	—	—	—	—	—	—	(80,847)	—	(80,847)
At 31st December, 2000	150,528	—	—	—	—	4,451	190,081	50,729	1,867,170	2,262,959
Premium on issue of shares upon exercise of 2008 warrant rights	5,060	—	—	—	—	—	—	—	—	5,060
Net loss for the year	—	—	—	—	—	—	—	—	(54,928)	(54,928)
Dividends for 2000	—	—	—	—	—	—	—	82,195	(82,195)	—
Dividends paid	—	—	—	—	—	—	—	(81,799)	—	(81,799)
At 31st December, 2001	155,588	—	—	—	—	4,451	190,081	51,125	1,730,047	2,131,292

Included in the above is the Group's share of post-acquisition accumulated losses of its associates, as follows:

	Accumulated (losses) profits
	HK\$'000
At 1st January, 2000	(19,762)
Net profit for the year	12,202
Movement during the year	(1,524)
At 31st December, 2000	(9,084)
Net loss for the year	(15,407)
Movement during the year	6,813
At 31st December, 2001	(17,678)

**38. RESERVES (Continued)**

Included in the above is the Group's share of the post-acquisition accumulated losses of its jointly controlled entities as follows:

	<b>Accumulated (losses) profits</b>
	<i>HK\$'000</i>
At 1st January, 2000	(19,616)
Net profit for the year	22
At 31st December, 2000	(19,594)
Net loss for the year	(427)
<b>At 31st December, 2001</b>	<b>(20,021)</b>

The contributed surplus of the Company represents the difference between the consolidated shareholders' funds of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for their acquisition at the time of the group reorganisation.

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:

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

In the opinion of the directors, the Company's reserves available for distribution to shareholders as at 31st December, 2001 were as follows:

	<b>2001</b>	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contributed surplus	<b>190,081</b>	190,081
Accumulated profits	<b>1,730,047</b>	1,867,170
Dividend reserve	<b>51,125</b>	50,729
	<b>1,971,253</b>	2,107,980



## 39. DEFERRED TAXATION

Deferred taxation payable at 31st December, 2000, represented the provision for taxation effect of timing differences due to deferred exchange gain.

The amount of the unprovided deferred tax asset (liability) for the year is as follows:

	THE GROUP		THE COMPANY	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Accelerated depreciation allowances	(32,392)	(41,835)	—	—
Tax losses	125,815	107,748	1,874	1,656
Other timing differences	(6,052)	(17,983)	—	—
	<b>87,371</b>	<b>47,930</b>	<b>1,874</b>	<b>1,656</b>

The amount of the unprovided deferred tax credit (charge) of the Group for the year is as follows:

	THE GROUP	
	2001	2000
	HK\$'000	HK\$'000
Accelerated depreciation allowances	9,443	8,044
Tax losses arising (utilised)	18,067	(8,555)
Other timing differences	11,931	(42,589)
	<b>39,441</b>	<b>(43,100)</b>

The net deferred tax asset has not been recognised in the financial statements as it is not certain that the net deferred tax benefit will be utilised in the foreseeable future.

Deferred tax has not been provided on the revaluation surplus arising on the valuation of investment properties situated in Hong Kong and investments in non-trading securities as profits arising on the disposal of these assets would not be subject to taxation. Accordingly, such revaluation does not constitute a timing difference for tax purposes.

Deferred tax has not been provided on the revaluation surplus arising on the revaluation of properties in PRC as it is not expected that the potential deferred taxation liability will crystallise in the foreseeable future.

## 40. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i> (as restated)
Profit before taxation	74,364	107,255
Impairment loss recognised in respect of goodwill on acquisition of subsidiaries	823	—
Gain on liquidation of an associate	—	(395)
Release of negative goodwill	(12,266)	(12,266)
Share of results of associates	15,407	(12,202)
Share of results of jointly controlled entities	427	(22)
Impairment loss recognised in respect of goodwill on acquisition of associates	—	80,396
Depreciation and amortisation	5,539	5,402
Interest expenses	270,764	300,871
Bad debts written off	2,127	1,055
Loss on disposal of subsidiaries	—	26,277
Loss on disposal of investment properties	46,461	42,940
Provision for mortgage loans receivable	—	9,423
Provision for impairment in respect of properties under development	—	6,562
Loss on disposal of property, plant and equipment	4,690	657
Net realised and unrealised gain on investments in securities	(2,782)	—
Gain on deemed disposal of an associate	(1,990)	—
Provision for other loan receivables written back	(214)	—
Loss on dilution of interests in subsidiaries	1,354	—
Increase in inventories	(3,968)	(646)
Increase in amounts due from associates	(7,583)	—
Decrease in properties for sale	14,132	55,068
Increase in other investments	(16,550)	(4,167)
(Increase) decrease in debtors, deposits and prepayments	(81,514)	30,073
Decrease in advances to directors of an indirect subsidiary	232	79
(Decrease) increase in creditors, deposits and accrued charges	(27,905)	22,187
Increase in sales deposits on properties for sales under development received	72,464	—
Exchange difference	(8,411)	(42,446)
Net cash inflow from operating activities	345,601	616,101

## 41. PURCHASES OF SUBSIDIARIES

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET ASSETS ACQUIRED		
Property, plant and equipment	727	—
Properties for sale	4,445	—
Debtors, deposits and prepayments	290	—
Bank balances and cash	3,937	—
Creditors, deposits and accrued charges	(1,216)	—
Amounts due to group companies	(7,787)	—
Minority interests	(127)	—
	<b>269</b>	<b>—</b>
Goodwill	823	—
	<b>1,092</b>	<b>—</b>
Satisfied by:		
Cash consideration	1,000	—
Carrying value of associates prior to becoming subsidiaries on acquisition	92	—
	<b>1,092</b>	<b>—</b>

Analysis of the net inflow of cash and cash equivalents in respect of the purchase of subsidiaries:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration paid	(1,000)	—
Cash and cash equivalents acquired	3,937	—
Net inflow of cash and cash equivalents in respect of the purchase of subsidiaries	<b>2,937</b>	<b>—</b>

The subsidiaries acquired in 2001 utilised HK\$10,469,000 to the Group's net operating cash flows, raised HK\$2,000,000 for investing activities and raised HK\$23,400,000 in respect of financing activities during the year.

The subsidiaries acquired in 2001 contributed HK\$64,000 to the Group's turnover and HK\$11,793,000 to the Group's operating loss for the year.

## 42. DISPOSAL OF SUBSIDIARIES

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
NET ASSETS DISPOSED OF		
Investment properties	—	129,162
Debtors, deposits and prepayments	—	6,426
Creditors, deposits and accrued charges	—	(1,127)
Minority interests	—	189
	—	134,650
Loss on disposal of subsidiaries	—	(26,277)
	—	108,373
Satisfied by:		
Cash consideration	—	108,869
Balance of consideration offset by creditors and accrued charges	—	(496)
	—	108,373

Analysis of the net inflow of cash and cash equivalents in respect of the disposal of subsidiaries:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cash consideration	—	108,869

The subsidiary disposed of in 2000 had no significant contribution to the Group's cash flows, the Group's turnover or the Group's profit from operations for that year.

## 43. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital and share premium	Bank and other borrowings	Minority interests	Amounts due to associates
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance at 1st January, 2000	197,016	5,249,228	1,721,702	—
Net cash inflow (outflow) from financing	4,241	(549,942)	(58,759)	18,570
Inception of finance lease	—	2,339	—	—
On disposal of subsidiaries	—	—	189	—
Minority's share of profit and reserves	—	—	(248,020)	—
Exchange differences	—	(538,429)	—	—
<b>Balance at 31st December, 2000</b>	<b>201,257</b>	<b>4,163,196</b>	<b>1,415,112</b>	<b>18,570</b>
Net cash inflow (outflow) from financing	5,456	(228,417)	(17,016)	(7,969)
Inception of finance leases	—	1,242	—	—
On acquisition of subsidiaries	—	—	127	—
On disposal of an associate	—	—	(1,990)	—
Minority's share of profit and reserves	—	—	(160,354)	—
Exchange differences	—	(114,117)	—	—
<b>Balance at 31st December, 2001</b>	<b>206,713</b>	<b>3,821,904</b>	<b>1,235,879</b>	<b>10,601</b>

## 44. MAJOR NON-CASH TRANSACTIONS

During the year, the Group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the leases of HK\$1,242,000 (2000: HK\$2,339,000).

## 45. COMMITMENTS

At the balance sheet date, the Group had capital commitments not provided for in the financial statements in respect of expenditure to be incurred on properties as follows:

	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong		
Authorised but not contracted for	328,100	288,200
Contracted for but not provided for in the financial statements	31,031	30,756
Other regions of the PRC		
Authorised but not contracted for	389,614	593,980
Contracted for but not provided for in the financial statements	110,470	76,670
New Zealand and Australia		
Authorised but not contracted for	870	39,332
Contracted for but not provided for in the financial statements	11,525	32,860

For the year ended 31st December, 2001

**45. COMMITMENTS (Continued)****The Group as lessee**

At the balance sheet date, the Group had commitments for future minimum lease payment under non-cancellable operating leases in respect of rented premises which fall due as follow:

	THE GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	10,832	16,932
In the second to fifth years inclusive	9,288	30,114
Over five years	21,624	45,362
	<b>41,744</b>	<b>92,408</b>

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

**The Group as lessor**

Property rental income earned during the year was HK\$458 million (2000: HK\$502 million). Certain of the Group's properties held for rental purposes, with a carrying amount of HK\$586 million, have been disposed of during the year. The remaining properties are expected to generate rental yields of 7% on an ongoing basis. All of the properties held have committed tenants for an average of six years.

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

	THE GROUP	
	2001	2000
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	418,140	444,604
In the second to fifth years inclusive	902,671	1,131,786
Over five years	520,319	746,248
	<b>1,841,130</b>	<b>2,322,638</b>

Included in the above, minimum lease payments from one of the leases is based on specified percentage of the estimated revenue to be recognised by the tenant. Adjustment on rental will be made according to the actual revenue generated by that tenant.

The Company did not have any capital commitments or non-cancellable operating lease commitments or lease arrangements at the balance sheet date.

**46. CONTINGENT LIABILITIES**

At the balance sheet date, the Group acted as guarantor for the repayment of the bank loans granted to purchasers of the Group's properties under development for sale amounting to HK\$22,802,000 (2000: HK\$Nil). The guarantee will be released upon completion of the construction of the properties and the relevant property ownership certificate is issued by the relevant authority.

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

**47. RETIREMENT BENEFITS SCHEME**

The Group provides a defined contribution provident fund scheme for the benefit of its eligible employees in Hong Kong. The assets of the scheme are held separately from those of the Group under a trust administered by an independent trustee. The Group's contributions to this scheme, calculated at rates specified in the rules of the scheme, are recognised as expenses as incurred and may be reduced by contributions forfeited for those employees who have joined the scheme but left it prior to their entitlements becoming fully vested.

Forfeited contributions for the year amounting to HK\$37,000 (2000: HK\$601,000) can be used to reduce the level of contributions. Total contributions to the provident fund scheme for the year charged to the income statement amounted to HK\$1,884,000 (2000: HK\$1,599,000).

This scheme has now been closed to new employees as a consequence of the Mandatory Provident Fund Pension legislation introduced by the Hong Kong Government. Staff in Hong Kong joining the Group after 1st December, 2000 are required to join the Mandatory Provident Fund.

All Hong Kong staff employed by the Group before 1st December, 2000 were allowed a choice as to whether to join the Mandatory Provident Fund or remain under the Group's provident fund scheme. The Group contributes 5% or HK\$1,000, whichever is lower, to 15% of the remuneration, while the employees contribute 5% of the remuneration or HK\$1,000 per month to the Mandatory Provident Fund.

The Group also operates a defined contribution plan (the "Plan") for eligible employees in the United States of America ("USA"). All employees in USA are eligible to participate in the Plan. Participants may contribute a percentage of compensation up to the maximum permitted by the relevant rules in USA. The Group may make discretionary matching contributions. Total contributions to the plan for the year charged to the income statement amounted to HK\$9,000 (2000: HK\$Nil).

**48. PLEDGE OF ASSETS**

At the balance sheet date, the Group had the following mortgages and/or pledges over its assets to secure banking facilities and other loans granted to the Group.

- (a) Fixed and floating charges on investment properties with an aggregate book value of HK\$5,606,756,000 (2000: HK\$6,772,633,000).
- (b) Properties for sale with an aggregate book value of HK\$140,411,000 (2000: HK\$215,179,000).
- (c) Properties under development with an aggregate book value of HK\$58,538,000 (2000: HK\$Nil).
- (d) Bank deposits of HK\$1,038,946,000 (2000: HK\$823,871,000).
- (e) The listed shares in a subsidiary.
- (f) Unlisted shares in a subsidiary.

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of S E A Holdings Limited (the "Company") will be held at the principal office of the Company, 26/F., Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong, on Thursday, 23rd May, 2002 at 11:30 a.m. for the following purposes:

1. To receive and consider the audited financial statements and the reports of the directors and auditors for the year ended 31st December, 2001.
2. To declare a final dividend.
3. To re-elect retiring director, determine a maximum number of directors, authorize the board of directors to appoint additional directors up to the maximum number and fix the directors' remuneration.
4. To re-appoint auditors for the ensuing year and to authorise directors to fix their remuneration.
5. As special business, to consider and, if thought fit, pass with or without modification the following resolutions as Ordinary Resolutions:
  - (A) **"THAT** the granting of an unconditional general mandate to the directors of the Company to issue, allot and deal with additional shares in the share capital of the Company and to make or grant offers, agreements and options which would or might require the exercise of such powers, subject to the following conditions, be and is hereby generally and unconditionally approved:
    - (a) such mandate shall not extend beyond the Relevant Period (defined below) save that the directors of the Company may during the Relevant Period make or grant offers, agreements and options which would or might require the exercise of such powers after the end of the Relevant Period;
    - (b) the aggregate nominal amount of share capital allotted or agreed conditionally or unconditionally to be allotted (whether pursuant to an option or otherwise) by the directors of the Company otherwise than pursuant to (i) a Rights Issue (defined below); (ii) the exercise of rights of subscription or conversion under the terms of any warrants issued by the Company, or any securities which are convertible into ordinary shares of the Company; (iii) any employee share option scheme or similar arrangement for the time being adopted for the grant or issue to officers and/or employees of the Company and/or any of its subsidiaries of shares or rights to acquire shares of the Company; and (iv) any scrip dividend or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the bye-laws of the Company, shall not exceed 20 per cent. of the aggregate nominal amount of the share capital of the Company in issue at the date of passing of this Resolution;
    - (c) such mandate shall be additional to the authority given to the directors at any time to allot and issue additional shares of the Company arising from the exercise of subscription rights under any warrants or the exercise of any options under any employee share option scheme of the Company; and
    - (d) for the purposes of this Resolution:
 

"Relevant Period" means the period from the date of the passing of this Resolution until whichever is the earlier of:

      - (i) the conclusion of the next annual general meeting of the Company;
      - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law of Bermuda to be held; or



- (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.

“Rights Issue” means an offer of shares open for a period fixed by the directors of the Company made to holders of shares and/or warrants, as the case may be, whose names appear on the Register of Members and the Register of Warrant holders of the Company on a fixed record date in proportion to their then holdings of such shares and/or warrants (subject to such exclusions or other arrangements as the directors of the Company may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, or in any territory outside, Hong Kong).”

- (B) **“THAT** the exercise by the directors of the Company during the Relevant Period (defined below) of all the powers of the Company to repurchase shares of HK\$0.10 each in the capital of the Company (the “Shares”) and to repurchase warrants (the “Warrants”) issued by the Company, and that the exercise by the directors of the Company of all powers of the Company to purchase the Shares and the Warrants subject to and in accordance with all applicable laws, rules and regulations, be and are hereby generally and unconditionally approved, subject to the following conditions:
  - (a) such mandate shall not extend beyond the Relevant Period;
  - (b) such mandate shall authorise the directors of the Company to procure the Company to repurchase the Shares and the Warrants at such prices as the directors of the Company may at their discretion determine;
  - (c) the aggregate nominal amount of the Shares and the Warrants to be repurchased by the Company pursuant to this Resolution during the Relevant Period shall not exceed 10 per cent. of the aggregate nominal amount of the share capital in issue and 10 per cent. of the aggregate subscription rights attaching to the Warrants outstanding, respectively, as at the date of passing of this Resolution; and
  - (d) for the purposes of this Resolution, “Relevant Period” means the period from the date of passing of this Resolution until whichever is the earlier of:
    - (i) the conclusion of the next annual general meeting of the Company; or
    - (ii) the expiration of the period within which the next annual general meeting of the Company is required by the bye-laws of the Company or any applicable law of Bermuda to be held; or
    - (iii) the revocation or variation of this Resolution by an ordinary resolution of the shareholders of the Company in general meeting.”
- (C) **“THAT** conditional upon the passing of Resolutions nos. 5(A) and 5(B) as set out in the Notice convening this Meeting, the aggregate nominal amount of the Shares in the capital of the Company which are repurchased by the Company pursuant to and in accordance with Resolution no. 5(B) shall be added to the aggregate nominal amount of the share capital of the Company that may be allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to and in accordance with Resolution no. 5(A).”

By Order of the Board  
**Wong Leung Wai**  
Company Secretary  
Hong Kong, 4th April, 2002

*Notes:*

- (1) Any member of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not be a member of the Company. To be valid, a proxy form, together with a power of attorney or other authority, if any, under which it is signed or a notorially certified copy thereof must be lodged at the principal office of the Company at 26th Floor, Dah Sing Financial Centre, 108 Gloucester Road, Wanchai, Hong Kong not less than 48 hours before the time appointed for holding the Meeting.
- (2) The Register of Members of the Company will be closed from Tuesday, 21st May, 2002 to Thursday, 23rd May, 2002, both days inclusive, during which period no transfer of shares can be registered. In order to qualify for the proposed final dividend, all transfers accompanied by the relevant share certificates, must be lodged with the Company's Branch Share Registrars in Hong Kong, Standard Registrars Limited, 5/F., Wing On Centre, 111 Connaught Road Central, Hong Kong, for registration not later than 4:00 p.m. on Friday, 17th May, 2002.
- (3) Subject to the approval at the General Meeting, the final dividend will be payable on Tuesday, 28th May, 2002 to shareholders recorded on the Register of Members on Thursday, 23rd May, 2002.
- (4) Members are recommended to read the circular of the Company containing important information concerning Resolutions nos. 5(B) and 5(C), which will be despatched in due course.