

# Notes to Financial Statements

31 December 2002

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2001: two) directors, details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining (2001: three) non-director, highest paid employees is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Salaries, allowances and benefits in kind	944	2,742
Pension scheme contributions	47	90
	991	2,832

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

	Number of employees	
	2002	2001
Nil to HK\$1,000,000	1	2
HK\$1,000,001 to HK\$1,500,000	–	1
	1	3

# Notes to Financial Statements

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## 10. TAX

	2002 HK\$'000	2001 HK\$'000
Group:		
The People's Republic of China:		
Hong Kong	(46,514)	(56,143)
Elsewhere	(24,450)	(30,534)
Overseas	(2,474)	(1,645)
Overprovision in prior years	13,626	2,650
Deferred tax – note 32	(177)	(316)
	(59,989)	(85,988)
Share of tax attributable to:		
Jointly controlled entities	(33,371)	(12,339)
Associates	(2,904)	(5,037)
	(36,275)	(17,376)
Tax charge for the year	(96,264)	(103,364)

Hong Kong profits tax has been provided at the rate of 16% (2001: 16%) on the estimated assessable profits arising in Hong Kong during the year. Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

## 11. NET PROFIT FROM ORDINARY ACTIVITIES ATTRIBUTABLE TO SHAREHOLDERS

The net profit from ordinary activities attributable to shareholders for the year ended 31 December 2002 dealt with in the financial statements of the Company was HK\$316,331,000 (2001: HK\$541,047,000).

The Group's share of aggregate profits less losses retained by its jointly controlled entities and associates for the year amounted to a profit of HK\$24,805,000 (2001: HK\$232,928,000) and a profit of HK\$32,240,000 (2001: HK\$28,212,000), respectively.

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## 12. DIVIDENDS

	2002 HK\$'000	2001 HK\$'000
Interim – 5 cents (2001: 5 cents) per ordinary share	211,135	189,644
Underaccrual of 2001/2000 final dividends	74	16,226
	<b>211,209</b>	205,870
Proposed final – 4 cents (2001: 4 cents) per ordinary share	<b>168,909</b>	168,809
	<b>380,118</b>	374,679

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 13. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$540,320,000 (2001: as restated HK\$645,172,000), and the weighted average of 4,221,683,129 (2001: 3,647,613,303) ordinary shares in issue during the year.

The calculation of diluted earnings per share is based on the net profit from ordinary activities attributable to shareholders for the year of HK\$540,320,000 (2001: as restated HK\$665,344,000, after adjustment for the interest saved upon deemed conversion of all convertible notes at beginning of the year and all convertible bonds on the date of issue). The weighted average number of ordinary shares used in the calculation is 4,221,683,129 (2001: 3,647,613,303) ordinary shares in issue during the year, as used in the basic earnings per share calculation; and the weighted average of 113,575,507 shares assumed to have been issued at no consideration on the deemed exercise of all bonus warrants outstanding during the year (2001: 403,904,523 shares assumed to have been issued at no consideration on the deemed exercise of all outstanding share options and bonus warrants, and the deemed conversion of all of the convertible bonds and convertible notes, at the beginning of the year, or the date of issue, whichever is later).

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## 14. FIXED ASSETS

### Group

	Investment properties HK\$'000	Hotel properties HK\$'000	Land and buildings HK\$'000	Scenic spots establishment HK\$'000	Other fixed assets HK\$'000	Total HK\$'000
Cost or valuation:						
At beginning of year	87,473	3,520,524	1,166,569	705,813	681,431	6,161,810
Additions	–	13,016	69,477	3,944	75,807	162,244
Acquisition of a subsidiary	–	–	–	–	206	206
Disposal of a subsidiary	–	–	–	–	(1,733)	(1,733)
Transfer from properties under development	–	484,895	11,068	61,206	59,926	617,095
Disposals and write-off	–	–	(33,691)	(2,834)	(43,966)	(80,491)
Deficit on revaluation	(53,869)	(61,486)	–	–	–	(115,355)
Reclassification	118,783	–	(126,222)	–	–	(7,439)
Exchange realignments	(424)	–	4,001	866	1,310	5,753
<b>At 31 December 2002</b>	<b>151,963</b>	<b>3,956,949</b>	<b>1,091,202</b>	<b>768,995</b>	<b>772,981</b>	<b>6,742,090</b>
At cost	23,170	–	1,091,202	768,995	772,981	2,656,348
At 2002 valuation	128,793	3,956,949	–	–	–	4,085,742
	151,963	3,956,949	1,091,202	768,995	772,981	6,742,090
Accumulated depreciation and impairment:						
At beginning of year	3,976	–	127,534	373,605	473,650	978,765
Provided during the year	1,107	–	30,695	39,599	63,694	135,095
Impairment during the year	3,030	–	–	–	–	3,030
Disposal of a subsidiary	–	–	–	–	(427)	(427)
Disposals and write-off	–	–	(8,087)	(20)	(39,432)	(47,539)
Reclassification	–	–	(7,439)	–	–	(7,439)
Exchange realignments	–	–	393	490	483	1,366
<b>At 31 December 2002</b>	<b>8,113</b>	<b>–</b>	<b>143,096</b>	<b>413,674</b>	<b>497,968</b>	<b>1,062,851</b>
Net book value:						
<b>At 31 December 2002</b>	<b>143,850</b>	<b>3,956,949</b>	<b>948,106</b>	<b>355,321</b>	<b>275,013</b>	<b>5,679,239</b>
At 31 December 2001	83,497	3,520,524	1,039,035	332,208	207,781	5,183,045

# Notes to Financial Statements

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## 14. FIXED ASSETS (continued)

### Company

	Land and building HK\$'000	Leasehold improvements HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
Cost:					
At beginning of year	–	1,950	2,273	1,202	5,425
Additions	1,165	28	231	1,199	2,623
Write-off	–	–	(181)	–	(181)
<b>At 31 December 2002</b>	<b>1,165</b>	<b>1,978</b>	<b>2,323</b>	<b>2,401</b>	<b>7,867</b>
Accumulated depreciation:					
At beginning of year	–	1,616	1,923	1,202	4,741
Provided during the year	–	110	241	240	591
Write-off	–	–	(181)	–	(181)
<b>At 31 December 2002</b>	<b>–</b>	<b>1,726</b>	<b>1,983</b>	<b>1,442</b>	<b>5,151</b>
Net book value:					
<b>At 31 December 2002</b>	<b>1,165</b>	<b>252</b>	<b>340</b>	<b>959</b>	<b>2,716</b>
At 31 December 2001	–	334	350	–	684

The Group's investment properties and land and buildings included above are held under the following lease terms:

	Hong Kong HK\$'000	Elsewhere HK\$'000	Total HK\$'000
Investment properties, at cost or valuation:			
Long term leases	40,427	15,791	56,218
Medium term leases	67,281	5,293	72,574
Short term leases	–	23,171	23,171
	107,708	44,255	151,963
Land and buildings, at cost:			
Long term leases	375,481	34,079	409,560
Medium term leases	150,700	521,033	671,733
Short term leases	–	9,909	9,909
	526,181	565,021	1,091,202

## Notes to Financial Statements

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### 14. FIXED ASSETS (continued)

The land use right for a piece of the Group's land with a carrying value of HK\$176,543,000 will expire on 17 August 2007. It is the intention of the Group to apply for an extension of the relevant land use right for another 30 years up to 17 August 2037. Accordingly, amortisation of the cost of the relevant land use right has been calculated by reference to the extended land use right tenure up to 17 August 2037.

Particulars of the hotel properties held by the Group as at 31 December 2002 were as follows:

Location	Use	Group's interest	Lease term
Hotel Concourse 20-46 Lai Chi Kok Road Mongkok Kowloon Hong Kong	Hotel	100%	Medium
Hotel New Harbour 41-49 Hennessy Road 4 and 6 Fenwick Road Wanchai Hong Kong	Hotel	100%	Long term
The Metropole Hotel 75 Waterloo Road Kowloon Hong Kong	Hotel	100%	Long term
Metropark Hotel 148 Tung Lo Wan Road Causeway Bay Hong Kong	Hotel	100%	Long term
Hotel Grandeur Macau Rua de Pequim 199 Macau	Hotel	100%	Medium

The investment properties and hotel properties were revalued at 31 December 2002 by RHL Appraisal Ltd., independent professionally qualified valuers, on an open market value based on their existing use.

The Group's investment properties, with gross carrying amount, accumulated depreciation and accumulated impairment loss of HK\$112,210,000 (2001: HK\$87,473,000), nil (2001: HK\$3,976,000) and HK\$640,000 (2001: nil), respectively, are leased to third parties under operating leases, further summary details of which are included in note 39 to the financial statements.

## Notes to Financial Statements

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### 14. FIXED ASSETS (continued)

The net book value of the Group's fixed assets held under finance leases and hire purchase contracts included in the total amount of motor vehicles and furniture, fixtures and equipment at 31 December 2002 amounted to HK\$1,019,000 (2001: HK\$6,597,000).

### 15. PROPERTIES UNDER DEVELOPMENT

	2001	Additions	Group Write-off	Transfer to fixed assets	2002
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Building and plant	—	44	—	—	44
Scenic spots establishment	101,607	127,305	(1,101)	(131,245)	96,566
Golf course	604	5,459	—	(955)	5,108
Hotel properties	484,062	833	—	(484,895)	—
	586,273	133,641	(1,101)	(617,095)	101,718

The costs of building and plant, scenic spots establishment, golf course and hotel properties comprise the following:

	2002 HK\$'000	2001 HK\$'000
Land and buildings in Hong Kong held under long term leases	—	484,062
Land and buildings outside Hong Kong held under medium term leases	101,718	102,211
	101,718	586,273

Upon completion, the balances will be transferred to the appropriate category of fixed assets.

No interest and borrowing costs were capitalised in properties under development at the balance sheet date (2001: accumulated HK\$57,509,000 and HK\$3,577,000, respectively).

# Notes to Financial Statements

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## 16. GOODWILL AND NEGATIVE GOODWILL

The amounts of the goodwill and negative goodwill capitalised as an asset or recognised in the consolidated balance sheet, arising from the acquisition of subsidiaries, are as follows:

	<b>Group</b>	
	<b>Goodwill</b>	<b>Negative goodwill</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost:		
At beginning of year	1,412,959	(202,779)
Acquisition of subsidiaries	62,553	—
<b>At 31 December 2002</b>	<b>1,475,512</b>	<b>(202,779)</b>
Accumulated amortisation/(recognition as income):		
At beginning of year	(27,015)	3,231
Recognised as income/(amortisation provided) during the year	(38,316)	4,138
<b>At 31 December 2002</b>	<b>(65,331)</b>	<b>7,369</b>
Net book value:		
<b>At 31 December 2002</b>	<b>1,410,181</b>	<b>(195,410)</b>
At 31 December 2001	1,385,944	(199,548)

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves or credited to the consolidated capital reserve, respectively. Such amounts are subject to an annual impairment test.

The amounts of goodwill and negative goodwill remaining in consolidated reserves at the balance sheet date were approximately HK\$1,041 million (2001: HK\$1,041 million) and HK\$687 million (2001: HK\$1,254 million), respectively. The amounts of goodwill are stated at its cost.

During the year, a prior year adjustment of HK\$451,048,000 has been made to align with the Group's accounting policy on negative goodwill. Further details of this prior year adjustment are included in note 35 to the financial statements.



# Notes to Financial Statements

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## 17. INTERESTS IN SUBSIDIARIES

	Company	
	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	3,305,681	3,270,587
Due from subsidiaries	3,337,565	3,511,399
Loans to subsidiaries	1,632,663	2,442,295
Due to subsidiaries	(1,482,156)	(1,560,538)
	6,793,753	7,663,743
Less: Provisions against amounts due from subsidiaries and loans to subsidiaries	(273,797)	(276,389)
	6,519,956	7,387,354

Except for certain balances due from subsidiaries with an aggregate amount of HK\$35,771,000 (2001: HK\$383,119,000) which bear interest at 6% (2001: 4.25% to 6%) per annum, the remaining balances due from/to subsidiaries are interest-free, unsecured and have no fixed terms of repayment.

All loans to subsidiaries are interest-free, unsecured and not repayable within one year. In the prior years, certain loans to subsidiaries with an aggregate amount of HK\$72,000,000 bore interest at 6% per annum.

Last year's balance due from a subsidiary of HK\$4,711,000 was repayable in 2002 and, accordingly, such balance was included in current assets.

Particulars of the Company's principal subsidiaries are set out in note 37 to the financial statements.

## 18. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	Group	
	2002 HK\$'000	2001 HK\$'000
Share of net assets	1,183,359	1,158,792
Due from jointly controlled entities	88,546	16,285
Due to jointly controlled entities	(1,360)	(137,692)
	1,270,545	1,037,385
Less: Provisions for impairment	(8,672)	(8,672)
	1,261,873	1,028,713

# Notes to Financial Statements

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

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves or credited to the consolidated capital reserve, respectively. The amount of goodwill remaining in consolidated reserves is HK\$3,693,000 as at 1 January and 31 December 2002. The amount of goodwill is stated at its cost.

Except for the balances of HK\$1,359,000, HK\$1,439,000 and HK\$4,566,000 which are interest-bearing at 6% per annum, 8% per annum and at one-year interest rate of China working capital loans, respectively, the remaining balances with the jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Particulars of the jointly controlled entities, all of which are held indirectly through subsidiaries, are as follows:

Name	Business structure	Place of registration and operations	Percentage of equity and profit attributable to the Group		Principal activities
			2002	2001	
Chongqing Long Sight International Container Co., Ltd. #	Corporate	PRC	25	25	Provision of cargo transportation services
Gansu Lida International Co., Ltd. #	Corporate	PRC	40	40	Provision of cargo transportation services
Guizhou Panda Brass Co., Ltd. #	Corporate	PRC	30	30	Manufacturing of brass products
Sichuan Jeida Freight Transportation Co., Ltd. #	Corporate	PRC	—	40	Provision of cargo transportation services
Shaanxi Weihe Power Co., Ltd.	Corporate	PRC	51	51	Production and sale of electricity
Shenzhen China Travel Service (Cargo) Hong Kong Ltd. #	Corporate	PRC	49	49	Provision of freight forwarding and cargo transportation services

# Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

# Notes to Financial Statements

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

Extracts of the audited financial statements of the Group's material jointly controlled entity are as follows:

	Shaanxi Weihe Power Co., Ltd.	
	2002 HK\$'000	2001 HK\$'000
<b>Profit and loss account</b>		
Turnover	1,578,752	1,576,787
Profit attributable to shareholders	469,420	469,894
Net profit attributable to the Group	234,738	234,787
<b>Balance sheet</b>		
Non-current assets	2,894,144	3,258,842
Current assets	600,275	747,650
Current liabilities	(974,964)	(972,780)
Non-current liabilities	(108,656)	(689,906)
Net assets	2,410,799	2,343,806
Net assets attributable to the Group	1,174,499	1,142,828

## 19. INTERESTS IN ASSOCIATES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000 (Restated)	2002 HK\$'000	2001 HK\$'000
Unlisted shares, at cost	—	—	311	311
Share of net assets	423,592	396,957	—	—
Due from associates	2,207	46,531	—	—
Due to associates	(89)	(4,956)	—	—
	425,710	438,532	311	311
Less: Provisions for impairment	—	(3,629)	—	—
	425,710	434,903	311	311

# Notes to Financial Statements

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## 19. INTERESTS IN ASSOCIATES (continued)

As detailed in note 3 to the financial statements, on the adoption of SSAP 30, the Group applied the transitional provision of SSAP 30 that permitted goodwill and negative goodwill in respect of acquisitions which occurred prior to 1 January 2001, to remain eliminated against consolidated reserves or credited to the consolidated capital reserve, respectively. The amount of goodwill remaining in consolidated reserves is HK\$49,089,000 as at 1 January and 31 December 2002. The amount of goodwill is stated at its cost.

As explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements, SSAP 34 was adopted during the year. This change in accounting policy has resulted in a decrease in the Group's share of net assets in an associate of HK\$7,936,000 as at 31 December 2002 and 2001. Further details of this prior year adjustment are included in note 28 to the financial statements.

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

Particulars of the associates are as follows:

Name	Business structure	Place of incorporation or registration/ operations	Percentage of equity interest attributable to the Group		Principal activities
			2002	2001	
China Railway-China Travel Express Co. (HK) Ltd. *	Corporate	Hong Kong	50	50	Dormant
Shun Tak-China Travel Shipping Investments Limited * #	Corporate	British Virgin Islands/ Hong Kong	29	29	Shipping operations
Storman Ltd. *	Corporate	Hong Kong	38	38	Dormant
Tianchuang International Art Production & Exchange Co. Ltd. * #	Corporate	PRC	30	30	Provision of art performance
China Resort International Limited #	Corporate	Cayman Islands/ Hong Kong	40	40	Dormant

\* Held indirectly through subsidiaries.

# Not audited by Ernst & Young Hong Kong or other Ernst & Young International member firms.

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## 19. INTERESTS IN ASSOCIATES (continued)

Extracts of the audited financial statements of the Group's material associate are as follows:

	Shun Tak-China Travel Shipping Investments Limited	
	2002 HK\$'000	2001 HK\$'000 (Restated)
<b>Profit and loss account</b>		
Turnover	1,415,955	1,359,042
Net profit attributable to shareholders	151,537	98,857
<b>Balance sheet</b>		
Non-current assets	1,572,602	1,715,900
Current assets	401,387	366,768
Current liabilities	(222,280)	(242,528)
Non-current liabilities	(303,449)	(507,416)
Net assets	1,448,260	1,332,724

## 20. INVESTMENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Long term investments</b>				
Unlisted equity investments outside Hong Kong:				
Unlisted shares, at fair value	21,956	21,947	13,949	13,949
Unlisted equity and debt investments in Hong Kong:				
Unlisted shares, at fair value	30	123	—	—
Unlisted convertible bonds, at fair value	—	66,000	—	66,000
	30	66,123	—	66,000
	21,986	88,070	13,949	79,949
<b>Short term investments</b>				
Listed equity investments in Hong Kong, at market value	865	1,900	—	—

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### 21. INVENTORIES, AT COST

	Group	
	2002 HK\$'000	2001 HK\$'000
Raw materials	9,458	9,170
Spare parts and consumables	1,082	1,150
General stores	5,885	6,278
General merchandise	299	138
	<b>16,724</b>	<b>16,736</b>

### 22. TRADE RECEIVABLES

The Group allows an average credit period ranging from 30 to 90 days to its trade debtors. The aged analysis of the trade receivables as at the balance sheet date, based on invoice date, net of provisions for doubtful debts, is as follows:

	Group	
	2002 HK\$'000	2001 HK\$'000
Outstanding balances with age:		
Less than 1 month	204,949	119,876
Within:		
1-3 months	25,912	49,005
4-6 months	14,981	20,764
7-12 months	11,068	9,811
1-2 years	3,538	2,025
Over 2 years	7,135	15,838
	<b>267,583</b>	<b>217,319</b>

### 23. OTHER RECEIVABLES

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Deferred borrowing costs	7,298	11,809	—	11,809
Deposits and other debtors	142,574	81,934	3,711	4,026
Amounts due from minority shareholders	5,951	7,332	—	—
	<b>155,823</b>	<b>101,075</b>	<b>3,711</b>	<b>15,835</b>

## Notes to Financial Statements

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### 24. PLEDGED TIME DEPOSITS

The Company and the Group have pledged bank deposits of approximately nil (2001: HK\$2,147,000) and HK\$2,688,000 (2001: HK\$3,302,000), respectively, to banks to secure certain credit facilities granted by suppliers to the Group's subsidiaries and a bank guarantee given in lieu of rental deposits. Last year's pledged bank deposits were made to banks to secure certain bank guarantees given in lieu of utility and rental deposits.

### 25. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Cash and bank balances	855,255	516,700	23,910	78,005
Time deposits	319,324	1,130,455	136,220	489,719
	1,174,579	1,647,155	160,130	567,724
Less: Pledged time deposits – note 24	(2,688)	(3,302)	–	(2,147)
Cash and cash equivalents	1,171,891	1,643,853	160,130	565,577

### 26. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES

The balances with ultimate holding company and fellow subsidiaries mainly represent trade receivables and payables.

The balances with ultimate holding company and fellow subsidiaries are unsecured, interest-free and repayable on the third business day following the month of transactions.

## Notes to Financial Statements

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### 26. AMOUNTS DUE FROM/TO ULTIMATE HOLDING COMPANY/FELLOW SUBSIDIARIES (continued)

The aged analysis of balances with the ultimate holding company and fellow subsidiaries is as follows:

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
<b>Amount due from ultimate holding company</b>				
Within 1 year	30,562	34,525	225	2,414
1-2 years	—	3,980	—	—
Over 2 years	—	14,018	—	—
	<b>30,562</b>	<b>52,523</b>	<b>225</b>	<b>2,414</b>
<b>Amounts due from fellow subsidiaries</b>				
Within 1 year	2,587	1,805	—	—
<b>Amounts due to fellow subsidiaries</b>				
Within 1 year	1,558	2,886	—	—
Over 2 years	74	270	—	—
	<b>1,632</b>	<b>3,156</b>	<b>—</b>	<b>—</b>

### 27. TRADE PAYABLES

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

	Group	
	2002 HK\$'000	2001 HK\$'000
Outstanding balances with age:		
Less than 1 month	145,058	211,690
Within:		
1-3 months	214,540	46,473
4-6 months	16,085	39,962
7-12 months	19,471	7,077
1-2 years	5,901	2,255
Over 2 years	9,421	9,432
	<b>410,476</b>	<b>316,889</b>



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## 28. OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000 (Restated)	2002 HK\$'000	2001 HK\$'000
Accruals and other liabilities	448,570	357,172	11,934	6,279
Staff bonus and welfare fund	28,122	37,533	—	—
Receipts in advance from customers	18,708	49,152	—	—
Due to minority shareholders	1,291	1,144	—	—
	496,691	445,001	11,934	6,279

SSAP 34 was adopted during the year, as explained in note 2 and under the heading "Employee benefits" in note 3 to the financial statements. As a result, an accrual is now made at the balance sheet date for the expected future cost of paid annual leave earned by employees during the year, which remains untaken by the employees at the balance sheet date and is permitted to be carried forward and utilised in the following year.

This change in accounting policy has resulted in HK\$10,866,000 and HK\$10,560,000 being included in the balances of the Group's accruals in respect of paid annual leave carried forward as at 31 December 2002 and 2001, respectively, and a decrease in the Group's share of net assets from an associate of HK\$7,936,000 as at 31 December 2002 and 2001. As a consequence, the consolidated net profits attributable to shareholders for the years ended 31 December 2002 and 2001 have been decreased by HK\$306,000 and HK\$5,794,000, respectively, and consolidated retained profits at 1 January 2002 and 2001 have been reduced by HK\$18,496,000 and HK\$12,702,000, respectively, as detailed in the consolidated summary statement of changes in equity.

## 29. INTEREST-BEARING BANK AND OTHER BORROWINGS

		Group		Company	
	Notes	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts – unsecured		358	4,666	—	—
Current portion of bank and other loans		327,715	362,554	—	300,000
	30	328,073	367,220	—	300,000
Current portion of lease payables	31	516	2,503	—	—
		328,589	369,723	—	300,000

# Notes to Financial Statements

31 December 2002

## 30. BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS

	Group		Company	
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Bank overdrafts:				
Unsecured	358	4,666	—	—
Syndicated bank loans:				
Secured – Note	1,000,000	—	—	—
Other bank loans:				
Unsecured	32,899	63,923	—	—
Secured	—	1,305,010	—	1,300,000
	1,032,899	1,368,933	—	1,300,000
Loans from minority shareholders	—	9,423	—	—
Golf club debentures	4,157	4,157	—	—
	4,157	13,580	—	—
	1,037,414	1,387,179	—	1,300,000
Bank overdrafts repayable within one year or on demand	358	4,666	—	—
Bank loans repayable:				
Within one year or on demand	327,715	362,554	—	300,000
In the second year	5,184	384,143	—	380,000
In the third to fifth years, inclusive	700,000	622,236	—	620,000
	1,032,899	1,368,933	—	1,300,000
Other loans repayable:				
Over five years	4,157	13,580	—	—
Total interest-bearing bank and other borrowings	1,037,414	1,387,179	—	1,300,000
Portion classified as current liabilities – note 29	(328,073)	(367,220)	—	(300,000)
Long term portion	709,341	1,019,959	—	1,000,000

# Notes to Financial Statements

31 December 2002

## 30. BANK LOANS, OVERDRAFTS AND OTHER BORROWINGS *(continued)*

*Note:* Included in HK\$1,000 million secured syndicated bank loans are revolving loans of HK\$300 million which are repayable in the following year. Interest is charged on the outstanding balance at 0.5% per annum over the Hong Kong Interbank Offered Rate for the applicable loan period. The loans are secured by the corporate guarantee given by the Company.

## 31. FINANCE LEASE AND HIRE PURCHASE CONTRACT PAYABLES

The Group leases certain of its plant and machinery for its business operations. These leases are classified as finance leases and have remaining lease terms of 2 years.

At the balance sheet date, the total future minimum lease payments under finance leases and their present values were as follows:

	Minimum lease payments	Minimum lease payments	Present value of minimum lease payments	Present value of minimum lease payments
	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000
Amounts repayable:				
Within one year	558	2,667	516	2,503
In the second year	144	628	141	571
In the third to fifth years, inclusive	—	156	—	151
Total minimum lease payments	702	3,451	657	3,225
Future finance charges	(45)	(226)		
Total net lease payables	657	3,225		
Portion classified as current liabilities – note 29	(516)	(2,503)		
Long term portion	141	722		

## Notes to Financial Statements

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### 32. DEFERRED TAX

	Group	
	2002 HK\$'000	2001 HK\$'000
Balance at beginning of year	9,558	7,173
Acquisition of subsidiaries	–	2,069
Charge for the year – note 10	177	316
At 31 December	9,735	9,558

The provision for deferred tax, as shown in the balance sheet, relates principally to timing differences arising from accelerated depreciation allowances.

The revaluation of the Group's investment properties and hotel properties does not constitute timing differences and, consequently, the amount of potential deferred tax thereon has not been quantified.

There are no significant potential deferred tax liabilities for which provision has not been made.

### 33. SHARE CAPITAL

#### Shares

	2002 HK\$'000	2001 HK\$'000
Authorised:		
7,000,000,000 ordinary shares of HK\$0.10 each	700,000	700,000
Issued and fully paid:		
4,222,731,839 (2001: 4,220,233,742) ordinary shares of HK\$0.10 each	422,273	422,023

During the year, 2,498,097 shares of HK\$0.10 each were issued for cash at a subscription price of HK\$1.22 per share pursuant to the exercise of the Company's bonus warrants for a total cash consideration, before expenses, of approximately HK\$3,048,000.

# Notes to Financial Statements

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## 33. SHARE CAPITAL (continued)

A summary of the movements of the Company's share capital during the year is as follows:

	Number of shares in issue	Share capital HK\$'000	Share premium HK\$'000	Total HK\$'000
At 1 January 2001	3,251,115,027	325,112	4,937,755	5,262,867
Shares issued on conversion of convertible bonds	530,859,472	53,086	547,210	600,296
Shares issued on conversion of convertible notes	427,272,727	42,727	427,273	470,000
Shares issued on exercise of share options	10,000,000	1,000	6,090	7,090
Shares issued on exercise of bonus warrants	986,516	98	1,105	1,203
At 31 December 2001 and 1 January 2002	4,220,233,742	422,023	5,919,433	6,341,456
Shares issued on exercise of bonus warrants	2,498,097	250	2,798	3,048
<b>At 31 December 2002</b>	<b>4,222,731,839</b>	<b>422,273</b>	<b>5,922,231</b>	<b>6,344,504</b>

### Share options

Details of the Company's share option scheme are included in note 34 to the financial statements.

### Warrants

On 28 June 2001, a bonus issue of warrants was made in the proportion of one warrant for every five shares held by members, resulting in 758,394,899 warrants being issued. Each warrant entitles the holder thereof to subscribe for one ordinary share of HK\$0.10 at a subscription price of HK\$1.22 per share, payable in cash and subject to adjustment, from the date of issue to 30 June 2003. At the beginning of the year, there were 757,408,383 warrants outstanding.

During the year, 2,498,097 warrants were exercised for 2,498,097 shares of HK\$0.10 each at HK\$1.22 per share. At the balance sheet date, the Company had 754,910,286 warrants outstanding. The exercise in full of such warrants would, under the present capital structure of the Company, result in the issue of 754,910,286 additional shares of HK\$0.10 each in the Company, for a gross proceeds of approximately HK\$920,991,000.