



KECK SENG
INVESTMENTS
(HONG KONG) LIMITED

Keck Seng

Annual Report 2002

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Financial Highlights

For the year ended 31 December 2002

(Expressed in Hong Kong dollars)

| | 2002 \$'000 | 2001 \$'000 | + / (-) % |
|-------------------------------------|----------------|----------------|-----------|
| Total Assets | 2,152,637 | 2,166,633 | (1) |
| Capital and Reserves | 1,303,924 | 1,281,026 | 2 |
| Issued Share Capital | 340,200 | 340,200 | - |
| Turnover | 224,502 | 246,589 | (9) |
| Profit Before Taxation | 24,122 | 14,635 | 65 |
| Profit Attributable to Shareholders | 28,315 | 27,293 | 4 |
| Basic Earnings Per Share (cents) | 8.3 | 8.0 | 4 |
| Dividends Per Share (cents) | 1 | Nil | n.a. |

Corporate Information

DIRECTORS

Ho Kian Guan - *Executive Chairman*
Ho Kian Hock - *Vice Executive Chairman*
Paul Tse See Fan
* Ho Kian Cheong
** Robin Y.H. Chan
** Arthur Kwok Chi Shun

* *Non-executive Director*

** *Independent Non-executive Director*

SECRETARY

Ida Yuen Chiu Yuk

AUDITORS

KPMG
8th Floor Prince's Building
10 Chater Road
Hong Kong

SHARE REGISTRARS & TRANSFER OFFICE

Tengis Limited
G/F Bank of East Asia Harbour View Centre
56 Gloucester Road
Wanchai
Hong Kong

REGISTERED OFFICE

Room 2902 West Tower
Shun Tak Centre
168-200 Connaught Road Central
Hong Kong

Chairman's Statement

On behalf of the Board of Directors, I am pleased to present the results of the Group for the year ended 31 December 2002.

RESULTS

The consolidated Group net profit for the year 2002 amounted to HK\$28,315,000, an increase of 4% as compared to HK\$27,293,000 in the previous year. Earnings per share for the year 2002 amounted to HK\$0.083 as compared to HK\$0.08 in 2001.

DIVIDENDS

The Board is recommending that no final dividends be paid for the year ended 31 December 2002. An interim dividend of HK\$0.01 per share has already been paid. Total dividends for the year will be HK\$0.01 per share.

REVIEW OF OPERATIONS

Macau

During 2002, there was no launch of new properties for sale at **Ocean Gardens**. Your Group's subsidiary in Macau focused on the continuing sale of the residential units in Carnation and Dahlia Court, which were launched in 2001, as well as other luxurious residential units in the Ocean Gardens development. Total turnover of Macau for 2002 was HK\$159.2 million, a reduction of 22% as compared to HK\$204.8 million in 2001. Due to lower operating cost, however, the subsidiary reported a higher profit from operations as compared to 2001.

Vietnam

Ocean Place in Ho Chi Minh City, in which your group holds 63%, is a twin-block complex comprising of a hotel block and a serviced apartment block on a common podium. The 96-unit serviced apartment block commenced operation in February 2002. Occupancy rates and room rates were strong. A positive gross operating profit was reported for 2002. After accounting for depreciation and amortization, however, the subsidiary reported a loss for the year.

The 382-room hotel within the development will commence operations in the second half of 2003. The complex, which will be the largest hotel/apartment/commercial complex in the city, will be managed by Sheraton, and will operate under the name **Sheraton Saigon Hotels & Towers and Executive Residences**.

Caravelle Hotel which is also located in Ho Chi Minh City, in which your group holds a 25% interest, reported increased room rates and occupancy rates in 2002 as compared to previous years. It also re-affirmed its position as the leading hotel in the city to date, and was named Best Business Hotel in Vietnam in 2002. Profit contribution to your Group also increased in 2002.

Chairman's Statement (Continued)

The People's Republic of China

Holiday Inn Riverside Wuban reported marginally improved occupancy rates and higher room rates in 2002, as compared to 2001. Competition amongst hotel in Wuhan remained intense, with the oversupply of hotel rooms expected to continue. Gross operating profit improved significantly during 2002. After deducting depreciation and amortization charges, however, the subsidiary still reported a loss, although the amount of loss has been reduced as compared to 2001.

Of the total number of 635 units of luxurious villas and apartments at **Beijing Riviera** residential development project, 438 units have been sold as at the end of 2002. Of the remaining 197 units, 149 units were leased out for income as at year end.

Canada

The general state of the economy in Canada and the United States, as well as the tendency towards a reduction in business and leisure travel after the September 11 incident, resulted in lower overall revenue from your Group's three hotels in Canada. The management introduced stringent cost-rationalization measures, which helped to reduce the negative impact of falling revenues. The Group, however, reported a lower profit contribution from the Canadian associates as compared to 2001.

PROSPECTS

The first quarter of 2003 was dominated throughout by the prospect of military conflict in Iraq. This spectre dampened the desire to travel as well as the desire to purchase or lease properties. Significant impact was felt by the two business sectors in which your Group invests and operates. The negative sentiments resulting from the unexpected and rapid spread of the Severe Acute Respiratory Syndrome further exacerbated an already unfavourable situation. It is generally expected that 2003 will continue to be a difficult year for property and hotel companies in Asia and the rest of the world.

Macau remains a relatively bright spot. The opening of the gaming industry to overseas investors and operators will provide a strong base for Macau to accelerate its transformation into Asia's preferred destination for travel, leisure, entertainment and gaming. The foresight of the Macau SAR Government in implementing various measures to attract overseas investments into the major sectors of its economy has laid the foundation for Macau to continue its path towards higher economic growth. The property sector will benefit from this development.

ACKNOWLEDGEMENT

On behalf of the Board, I wish to express our appreciation to the management and staff of our Group for their invaluable contribution.

Ho Kian Guan

Chairman

Hong Kong, 17 April 2003

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the 2003 Annual General Meeting of the Company will be held at Salisbury Room, Level 7, Conrad Hong Kong, Pacific Place, 88 Queensway, Hong Kong on Saturday, 28 June 2003 at 12:00 noon for the following purposes:

1. To receive and consider the audited Financial Statements and the Reports of the Directors and of the Auditors thereon for the year ended 31 December 2002;
2. (a) To re-elect Mr. Ho Kian Hock as Director;
(b) To re-elect Mr. Ho Kian Cheong as Director; and
(c) To fix the Directors' remuneration;
3. To re-appoint KPMG as Auditors and to authorise the Board to fix their remuneration;
4. To consider, and if thought fit, pass by way of special business, with or without amendments, the following resolution as an Ordinary Resolution:

“THAT:

- (a) the exercise by the Directors during the Relevant Period of all the powers of the Company to purchase shares of HK\$1.00 each in the share capital of the Company be and is hereby generally and unconditionally approved;
- (b) the aggregate nominal amount of the shares which the Company is authorised to purchase pursuant to the approval in paragraph (a) above shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution, and the said approval shall be limited accordingly; and
- (c) for the purpose of this Resolution, “Relevant Period” means the period from the passing of this Resolution until whichever is the earliest of:
 - (i) the conclusion of the next Annual General Meeting of the Company;
 - (ii) the revocation or variation of the authority given under this Resolution by ordinary resolution of the Company in general meeting; and
 - (iii) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held.”;
5. To consider, and if thought fit, pass by way of special business, with or without amendments, the following resolution as an Ordinary Resolution:

“THAT:

- (a) the exercise by the Directors during the Relevant Period of all the powers of the Company to issue, allot and otherwise dispose of additional shares of the Company, be and is hereby generally and unconditionally approved, provided

Notice of Annual General Meeting (Continued)

that, otherwise than pursuant to a rights issue where shares are offered to shareholders on a fixed record date in proportion to their then holdings of shares (subject to such exclusions or other arrangements as the Directors 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 any territory outside Hong Kong), the additional shares issued, allotted or disposed of (excluding shares agreed conditionally or unconditionally to be issued, allotted or disposed of whether pursuant to an option or otherwise) shall not in aggregate exceed 20% of the nominal amount of the share capital of the Company in issue at the date of this Resolution;

- (b) the mandate referred to in paragraph (a) above shall authorise the Directors to make or grant offers, agreements and options which might require the exercise of such mandate at any time during or after the end of the Relevant Period; and
 - (c) for the purpose of this Resolution, “Relevant Period” has the same meaning as that mentioned in Resolution 4(c).”;
6. To consider, and if thought fit, pass by way of special business, with or without amendments, the following resolution as an Ordinary Resolution:

“**THAT** the general mandate granted to the Directors of the Company and for the time being in force to exercise the powers of the Company to issue, allot and otherwise dispose of additional shares and to make or grant offers, agreements and options which might require the exercise of such powers be and is hereby extended by the aggregate nominal amount of shares in the capital of the Company which has been purchased by the Company since the granting of such general mandate pursuant to the exercise by the Directors of the Company of the powers of the Company to purchase such shares, provided that such amount shall not exceed 10% of the aggregate nominal amount of the share capital of the Company in issue at the date of this Resolution.”; and

7. To consider, and if thought fit, pass by way of special business, with or without amendments, the following resolution as a Special Resolution:

“**THAT** the Articles of Association of the Company be amended in the following manner:

- (a) By inserting the following new Article 37A immediately after the existing Article 37:

37A. Where the transferor or transferee is (i) a clearing house within the meaning of Section I of the Securities and Futures Ordinance of Hong Kong or a clearing house recognized by the laws of the jurisdiction in which the shares of the Company are listed; or (ii) a nominee of the

Notice of Annual General Meeting (Continued)

aforesaid clearing house, it may transfer all or any of its shares by an instrument of transfer by hand or by machine imprinted signature or by such other manner of execution as the Board may approve from time to time.

- (b) By deleting the existing Article 96A and substituting therefor the following new Article 96A:

96A. Where a shareholder is a recognized clearing house as defined in Article 37A, it may appoint such person or persons as it thinks fit to act as its proxy or proxies or as its corporate representative or representatives at any meeting of the Company or at any meeting of any class of shareholders provided that, if more than one proxy or corporate representative is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy or corporate representative is so appointed. A person so appointed under the provisions of this Article shall be entitled to exercise the same powers on behalf of the clearing house (or its nominee) which he represents as that clearing house (or its nominee) could exercise if it were an individual shareholders.”.

By Order of the Board
IDA YUEN CHIU YUK
Secretary

Hong Kong, 17 April 2003

Notes:

- (a) In order to determine who are entitled to attend the 2003 Annual General Meeting, the register of members will be closed from Wednesday, 25 June 2003 to Saturday, 28 June 2003, both days inclusive, during which period no transfer of shares can be registered. All transfers accompanied by the relevant share certificates must be lodged with the Company's Registrars, Tengis Limited, G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 24 June 2003.
- (b) A member entitled to attend and vote at the above meeting may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a member of the Company. To be valid, a proxy form must be lodged at the Company's Registrars, Tengis Limited, G/F Bank of East Asia Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong at least 48 hours before the time appointed for holding the meeting.
- (c) A member who is a corporation may by resolution of its directors or other governing body authorise any of its officials or any other person to act as its representative at the meeting and exercise the same powers on its behalf as if he had been an individual member of the Company and such corporation shall be deemed to be present in person at any such meeting if a person so authorised is present thereat.
- (d) An explanatory statement containing further details regarding Resolutions 4 to 7 above will be sent to shareholders shortly together with the 2002 Annual Report.

Report of the Directors

The directors have pleasure in submitting their annual report together with the audited financial statements for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and those of its subsidiaries are set out in note 14 on the financial statements.

The analysis of the principal activities and geographical locations of the operations of the Company and its subsidiaries during the financial year are set out in note 11 on the financial statements.

FINANCIAL STATEMENTS

The profit of the Group for the year ended 31 December 2002 and the state of the Company's and the Group's affairs as at that date are set out in the financial statements on pages 20 to 65.

An interim dividend of HK\$0.01 (2001: Nil) per share was paid on 6 November 2002. The directors do not recommend the payment of a final dividend in respect of the year ended 31 December 2002.

FIXED ASSETS

Details of the movements in fixed assets during the year are set out in note 12 on the financial statements.

DIRECTORS

The directors during the financial year and up to the date of this report are:

Executive directors

Ho Kian Guan – *Executive Chairman*
Ho Kian Hock – *Vice Executive Chairman*
Paul Tse See Fan

Non-executive directors

Ho Kian Cheong
* Robin YH Chan
* Arthur Kwok Chi Shun

**Independent non-executive directors*

Messrs Ho Kian Hock and Ho Kian Cheong shall retire at the forthcoming annual general meeting in accordance with article 116 of the Company's articles of association and, being eligible, offer themselves for re-election.

Report of the Directors (Continued)

DIRECTORS (Continued)

Mr Ho Kian Cheong has stepped down as Managing Director of the Company with effect from 17 April 2003. He will, however, remain on the Board of Directors as a Non-executive Director.

The Company has not entered into service contracts with any of the above directors.

The appointment of non-executive directors is not for a fixed period of term.

MANAGEMENT ARRANGEMENTS

During the year ended 31 December 2002, there existed the following arrangements for an indefinite period:

- (1) Kansas Holdings Limited provides management services to the Company. No management fee was charged during the year.
- (2) Keck Seng Realty Investment Pte Limited acts as manager and sales agent for the Company's property in Singapore. No management or agency fee was charged during the year.
- (3) Goodland Limited ("Goodland") acts as the project manager of Golden Crown Development Limited's ("Golden Crown") Ocean Gardens development in Taipa Island, Macau for a management fee and is also responsible for marketing the development. Goodland is also a major contractor for the development.
- (4) Goodland acts as project manager of the Sheraton Saigon, a hotel property held by Ocean Place Joint Venture Company Limited ("OPJV") in the Socialist Republic of Vietnam.
- (5) Goodland provides management services to Ocean Incorporation Ltd. ("Ocean Inc") in return for a management fee.

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

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES

The interests of the directors and their associates in the share capital of the Company and its associated corporations, as defined in the Securities (Disclosure of Interests) Ordinance (the "SDI Ordinance"), as recorded in the register maintained by the Company pursuant to Section 29 of the SDI Ordinance as at 31 December 2002 were as follows:

| | Personal interests | Shares of HK\$1 each | | Other Interests |
|---|-------------------------------|-----------------------------|--------------------------------|----------------------------|
| | | Family interests | Corporate interests | |
| Beneficial interests | | | | |
| Keck Seng Investments (Hong Kong) Limited | | | | |
| Ho Kian Guan | 480 | – | 253,876,320 (note 1) | – |
| Ho Kian Hock | 480 | – | 253,876,320 (note 1) | – |
| Ho Kian Cheong | 480 | – | 253,876,320 (note 1) | – |
| Paul Tse See Fan | 288,720 | – | – | – |
| Robin YH Chan | 180,000 | – | 720,000 (note 2) | – |
| Arthur Kwok Chi Shun | – | – | – | – |

Shares of S\$1 each Corporate interests

Lam Ho Investments Pte Ltd

| | |
|----------------|------------------|
| Ho Kian Guan | 495,000 (note 3) |
| Ho Kian Hock | 495,000 (note 3) |
| Ho Kian Cheong | 495,000 (note 3) |

Shares of HK\$1 each Corporate interests

Shun Seng International Limited

| | |
|----------------------|-----------------|
| Ho Kian Guan | 9,990 (note 3) |
| Ho Kian Hock | 9,990 (note 3) |
| Ho Kian Cheong | 9,990 (note 3) |
| Arthur Kwok Chi Shun | 15,000 (note 4) |

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

| | Amount of capital (US\$) |
|--|---------------------------------|
| | Corporate interests |
| Hubei Qing Chuan Hotel Company Limited | |
| Ho Kian Guan | 5,216,000 <i>(note 3)</i> |
| Ho Kian Hock | 5,216,000 <i>(note 3)</i> |
| Ho Kian Cheong | 5,216,000 <i>(note 3)</i> |
| Arthur Kwok Chi Shun | 489,000 <i>(note 5)</i> |
| | Shares of Ptc1 each |
| | Corporate interests |
| Golden Crown Development Limited | |
| Ho Kian Guan | 9,000,000 <i>(note 3)</i> |
| Ho Kian Hock | 9,000,000 <i>(note 3)</i> |
| Ho Kian Cheong | 9,000,000 <i>(note 3)</i> |
| | Quota of Ptc1,000 |
| | Corporate interests |
| Ocean Gardens Management Company Limited | |
| Ho Kian Guan | 1 <i>(note 3)</i> |
| Ho Kian Hock | 1 <i>(note 3)</i> |
| Ho Kian Cheong | 1 <i>(note 3)</i> |
| | Shares of HK\$1 each |
| | Corporate interests |
| Shun Cheong International Limited | |
| Ho Kian Guan | 999 <i>(note 3)</i> |
| Ho Kian Hock | 999 <i>(note 3)</i> |
| Ho Kian Cheong | 999 <i>(note 3)</i> |
| Arthur Kwok Chi Shun | 5,500 <i>(note 6)</i> |
| | Shares of M\$1 each |
| | Corporate interests |
| KSF Enterprises Sdn Bhd | |
| Ho Kian Guan | 7,500 <i>(note 3)</i> |
| Ho Kian Hock | 7,500 <i>(note 3)</i> |
| Ho Kian Cheong | 7,500 <i>(note 3)</i> |

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN SHARES (Continued)

| | Common shares without par value Corporate interests | Preferred shares of C\$1 each Corporate interests |
|---------------------------|--|--|
| Chateau Ottawa Hotel Inc. | | |
| Ho Kian Guan | 450,000 <i>(note 3)</i> | 370,000 <i>(note 3)</i> |
| Ho Kian Hock | 450,000 <i>(note 3)</i> | 370,000 <i>(note 3)</i> |
| Ho Kian Cheong | 450,000 <i>(note 3)</i> | 370,000 <i>(note 3)</i> |

Notes:

- (1) At 31 December 2002, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong were substantial shareholders of Kansas Holdings Limited and Goodland, which together beneficially held 253,876,320 shares in the Company.
- (2) At 31 December 2002, Dr Robin YH Chan had controlling interest in United Asia Enterprises Inc which held 720,000 shares in the Company.
- (3) At 31 December 2002, Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong had deemed corporate interests in Lam Ho Investments Pte Limited, Shun Seng International Limited, Hubei Qing Chuan Hotel Company Limited ("Qing Chuan"), Golden Crown Development Limited, Ocean Gardens Management Company Limited, Shun Cheong International Limited, KSF Enterprises Sdn Bhd and Chateau Ottawa Hotel Inc. which were held through companies jointly controlled by them.
- (4) At 31 December 2002, Mr Arthur Kwok Chi Shun was a substantial shareholder of Larch Management Incorporated which beneficially held 15,000 shares representing 15% interest in Shun Seng International Limited.
- (5) At 31 December 2002, capital in the amount of US\$489,000, representing 3% interest in Qing Chuan were held by AKAA Project Management Limited which was wholly owned by Mr Arthur Kwok Chi Shun.
- (6) At 31 December 2002, 5,500 shares representing 55% interest in Shun Cheong International Limited were held by Larcfort Incorporated in which Mr Arthur Kwok Chui Shun had beneficial interests.

Report of the Directors (Continued)

SUBSTANTIAL INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

The Company has been notified of the following interests in the Company's issued shares as at 31 December 2002, amounting to 10% or more of the Company's shares in issue which were recorded in the register of interests required to be kept by the Company pursuant to Section 16(1) of the SDI Ordinance:

| | Shares held | Percentage of total issued shares |
|-------------------------|--------------------|--|
| Goodland Limited | 153,006,960 | 45.0% |
| Kansas Holdings Limited | 100,869,360 | 29.7% |
| | <u>253,876,320</u> | <u>74.7%</u> |

INTEREST IN CONTRACTS

During the year, certain subsidiaries of the Company had the following transactions which were on normal commercial terms with Goodland:

- (1) A current account was maintained between Goodland and Ocean Inc and interest was charged on the outstanding balance at market rates. At 31 December 2002, the balance due by Ocean Inc on this account amounted to HK\$91,733,642. The interest charge for the year ended 31 December 2002 was HK\$2,131,721.
- (2) Goodland maintained an interest bearing current account with Golden Crown. At 31 December 2002, the balance due by Golden Crown amounted to HK\$280,106. The interest charge for the year ended 31 December 2002 payable by Golden Crown was HK\$5,470.

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

- (3) Golden Crown rented certain of its properties to Goodland and received rental income (net of outgoings) amounting to HK\$1,011,204 for the year ended 31 December 2002.
- (4) Loans from minority shareholders include an amount due to Goodland of HK\$128,889,269 and are non-interest bearing except for an amount of HK\$38,335,881 due by Qing Chuan to Goodland which is interest bearing at market rates and repayable on 30 April 2005.

The interest payable to Goodland was HK\$1,828,744.

Report of the Directors (Continued)

INTEREST IN CONTRACTS (Continued)

- (5) Ocean Inc, OPJV and Golden Crown paid management fees of HK\$1,456,311, HK\$3,113,200 and HK\$1,747,573 respectively for the year to Goodland.
- (6) Golden Crown rented certain properties from Goodland and rental amounting to HK\$174,757 was paid during the year.

Messrs Ho Kian Guan, Ho Kian Hock and Ho Kian Cheong each had an interest in the above transactions as beneficial owners, through intermediate companies, of a substantial part of the issued capital of Goodland.

Apart from the foregoing and the management arrangements set out on page 8 of the annual report, no contract 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, subsisted at the end of the year or at any time during the year.

DIRECTORS' INTEREST IN COMPETING BUSINESS

One of the direct competitors of the Group's hotel in Wuhan, Holiday Inn Riverside Wuhan, is the Shangri-La Hotel, Wuhan whose majority owner and operator is Shangri-La Asia Limited ("SAL").

Mr Ho Kian Guan is an independent non-executive director of SAL, a company whose shares are listed on the Hong Kong Stock Exchange and Mr Ho Kian Cheong is his alternate on the board of SAL.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S OWN SHARES

No purchase, sale or redemption of the Company's own shares was made by the Company or any of its subsidiaries during the year.

BANK LOANS AND OTHER BORROWINGS

Particulars of bank loans and other borrowings of the Company and the Group at 31 December 2002 are set out in notes 20 and 21 on the financial statements.

FIVE YEAR SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years is set out on pages 66 and 67 of the annual report.

PROPERTIES

Particulars of the properties and property interests held by the Group are shown on pages 68 to 69 of the annual report.

Report of the Directors (Continued)

RETIREMENT SCHEMES

The companies of the Group operating in Hong Kong operate a Mandatory Provident Fund Scheme (“the MPF scheme”) under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement scheme administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the scheme at 5% of the employees’ relevant income, subject to a cap of monthly relevant income of HK\$20,000.

The employees of the Group’s subsidiary operating in the People’s Republic of China (“the PRC”) are members of central pension schemes operated by the local governments in the PRC and the subsidiary makes mandatory contributions to these central pension schemes to fund the employees’ retirement benefits. The retirement contributions paid by the PRC subsidiary are based on 20% of the employees’ salaries cost in accordance with the relevant regulations in the PRC and are charged to the consolidated profit and loss account as incurred. The subsidiary discharges its retirement obligations upon payment of the retirement contributions to the central pension schemes operated by the local governments in the PRC.

The employees of the Group’s subsidiary operating in Vietnam are members of social insurance fund schemes operated by the local governments in Vietnam and the subsidiary makes mandatory contributions to these social insurance fund schemes to fund the employees’ retirement benefits, maternity benefits and sick leave benefits. The social insurance contributions paid by the Vietnam subsidiary are based on Social Insurance Regulations at the prevailing rate of 15% of basic salaries.

COMPLIANCE WITH THE CODE OF BEST PRACTICE

The Company has complied throughout the year ended 31 December 2002 with the Code of Best Practice as set out by the Stock Exchange of Hong Kong Limited in Appendix 14 to the Listing Rules except for not specifying the terms of appointment of non-executive directors.

AUDIT COMMITTEE

The audit committee comprises two independent non-executive directors and reports to the board of directors. The audit committee meets with the Group’s senior management and external auditors regularly to review the effectiveness of the internal control systems and the interim and annual reports of the Group.

Report of the Directors (Continued)

AUDITORS

KPMG retire and, being eligible, offer themselves for re-appointment. A resolution for the re-appointment of KPMG as auditors of the Company is to be proposed at the forthcoming annual general meeting.

By Order of the Board
Ho Kian Guan
Chairman

Hong Kong, 17 April 2003

Other Corporate Information

MAJOR CUSTOMERS AND SUPPLIERS

For the financial year ended 31 December 2002:

- (a) the aggregate amount of purchases attributable to the Group's five largest suppliers represented less than 30% of the Group's total purchases; and
- (b) the aggregate amount of turnover attributable to the Group's five largest customers represented less than 30% of the Group's total turnover.

FINANCIAL REVIEW

The Group's turnover was HK\$224,502,000 for the year ended 31 December 2002, a decrease of 9% over the corresponding period in 2001. This decrease was a combined effect of lower revenue generated by sale of properties in Macau and revenue generated from the operation of a serviced apartment block which commenced business in February 2002 in Vietnam. Profit from operations was HK\$16,031,000 for the year ended 31 December 2002 as compared to a profit of HK\$3,905,000 in 2001. Profit attributable to shareholders amounted to HK\$28,315,000.

The Group's net borrowings as at 31 December 2002 amounted to approximately HK\$406,129,000, representing total bank loans and other borrowings of HK\$568,441,000 less cash equivalents of HK\$162,312,000. The Group's ratio of net borrowings to total assets was 19%. Of the total amount of bank borrowings of HK\$270,395,000, HK\$141,201,000 are repayable within twelve months and the remaining of HK\$129,194,000 are repayable within two to five years.

The Group's bank borrowings are mostly in Hong Kong dollars and United States dollars. Cash and cash equivalents are mostly in Hong Kong dollars, Euros, Australian dollars and United States dollars. Most of the Group's bank borrowings are on a floating rate basis. Taking into account cash in hand and available credit facilities, the Group has sufficient working capital for its present requirements.

PLEDGE OF ASSETS

As at 31 December 2002, the secured bank loan facilities granted to the Group were secured by mortgages over the Group's properties, including investment properties, other properties, a hotel property and properties held for sale with an aggregate carrying value of approximately HK\$562 million. In addition, at 31 December 2002, shares in a subsidiary were pledged to a bank as part of security given to secure a bank loan and shares in an associate were pledged to a bank by a subsidiary of the Group in return for banking facilities granted to that associate.

Other Corporate Information (Continued)

CONTINGENT LIABILITIES

As 31 December 2002, there were outstanding counter indemnities relating to guarantees issued by a subsidiary's bankers in favour of the Macau SAR Government in respect of properties under development amounting to HK\$6,311,000. As at 31 December 2002, guarantees given by the Company to banks to secure banking facilities made available to the subsidiaries and an associate amounted to HK\$183 million and HK\$51.5 million respectively.

At 31 December 2002, guarantees given by a subsidiary to a bank to secure banking facilities made available to an associate amounted to HK\$33.1 million.

Pursuant to the revised agreement with the Government of Macau on 6 August 1999, one of the subsidiaries of the Group was required to complete the remaining phases of the development project by various specified dates up to 31 December 2001.

On 5 October 2001, the Macau SAR Government agreed to extend the final completion date up to 31 December 2003 without any penalty. Failure to complete the remaining phases of the development within 180 days of 31 December 2003 would give rise to the possibility of fines being imposed by the Macau SAR Government in a manner more particularly described in note 26(c) on the financial statements.

Whilst construction work has already commenced on all the remaining phases of the development, the directors were of the view that one of the phases would not be completed by the final completion date of 31 December 2003. Delays beyond the 180-day period would give rise to the possibility of rescission of the lease by the Macau SAR Government without compensation to the subsidiary. The directors are confident that the remaining phase of the development project will be completed by 31 December 2004 and, accordingly, an application to further extend the completion date to 31 December 2004 will be lodged by the subsidiary. Based on experience in similar successful applications, the directors are confident that the extension of the completion date to 31 December 2004 will be granted by the Macau SAR Government.

Other Corporate Information (Continued)

DETAILS OF DIRECTORS AND SENIOR MANAGEMENT PROFILES

Mr Ho Kian Guan, aged 57, is the Executive Chairman of the Company. He was appointed as a director of the Company on 5 December 1979. He is also a director of Goodland Limited and Kansas Holdings Limited which are substantial shareholders of the Company and the Chairman and director of Keck Seng (Malaysia) Berhad (a company listed on the Kuala Lumpur Stock Exchange). He also serves on the board of Shangri-La Asia Limited (a company listed on the Hong Kong Stock Exchange). He is a brother of Mr Ho Kian Hock and Mr Ho Kian Cheong.

Mr Ho Kian Hock, aged 56, is the Vice-Executive Chairman of the Company. He was appointed as a director of the Company on 19 December 1979. He is also a director of Goodland Limited and Kansas Holdings Limited which are substantial shareholders of the Company and a Managing Director of Keck Seng (Malaysia) Berhad (a company listed on the Kuala Lumpur Stock Exchange). He is a brother of Mr Ho Kian Guan and Mr Ho Kian Cheong.

Mr Ho Kian Cheong, aged 53, is a non-executive director of the Company. He was appointed as a director of the Company on 5 December 1979. He is also a director of Goodland Limited and Kansas Holdings Limited which are substantial shareholders of the Company and Keck Seng (Malaysia) Berhad (a company listed on the Kuala Lumpur Stock Exchange). He is also an alternate director of Shangri-La Asia Limited (a company listed on the Hong Kong Stock Exchange). He is a brother of Mr Ho Kian Guan and Mr Ho Kian Hock.

Mr Paul Tse See Fan, aged 49, is an executive director of the Company. He was appointed as a director of the Company on 5 December 1979. He is also a director of Goodland Limited and Kansas Holdings Limited, companies which are substantial shareholders of the Company.

Dr Robin Chan Yau Hing, GBS, LLD, JP, aged 70, is an independent non-executive director of the Company. He was appointed as a director of the Company on 8 September 1988. He is also the Chairman and Managing Director of Asia Financial Holdings Limited (a company listed on the Hong Kong Stock Exchange), the Chairman and Chief Executive Officer of Asia Commercial Bank Ltd, and the Chairman of Asia Insurance Company, Limited. He is also a director and adviser of numerous other companies with over 40 years experience in banking business. Dr Chan was awarded the Order of Commander (Third Class) of the Most Exalted Order of the White Elephant by His Majesty, the King of Thailand. He is also a Deputy to the Chinese National People's Congress and the ex-officio Life Honorary Chairman of the Chinese General Chamber of Commerce, Hong Kong.

Mr Arthur Kwok Chi Shun, aged 57, is an independent non-executive director of the Company. He was appointed as a director of the Company on 3 January 1995. He is a professional architect with extensive architectural, town planning and interior design experience and has wide business interests in property development, merchandise retailing and wholesale. He is also the Commandant of the Hong Kong Auxiliary Police Force.

Auditors' Report



TO THE SHAREHOLDERS OF KECK SENG INVESTMENTS (HONG KONG) LIMITED

(Incorporated in Hong Kong with limited liability)

We have audited the financial statements on pages 20 to 65 which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Hong Kong Companies Ordinance requires the directors to prepare 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, that judgements and estimates are made which are prudent and reasonable and that the reasons for any significant departure from applicable accounting standards are stated.

It is our responsibility to form an independent opinion, based on our audit, on those financial 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 judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, 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 of the Group as at 31 December 2002 and of the Group's profit and cash flows for the year then ended and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

KPMG

Certified Public Accountants

Hong Kong, 17 April 2003

Consolidated Profit and Loss Account

For the year ended 31 December 2002

(Expressed in Hong Kong dollars)

| | <i>Note</i> | 2002 \$'000 | 2001 \$'000 |
|---|-------------|------------------------------|----------------|
| Turnover | 2 | 224,502 | 246,589 |
| Cost of sales | | (105,021) | (140,553) |
| | | 119,481 | 106,036 |
| Other revenue | 3 (a) | 4,107 | 4,168 |
| Other net income/(loss) | 3 (b) | 3,935 | (9,802) |
| Direct operating expenses | | (15,934) | (15,796) |
| Marketing and selling expenses | | (5,300) | (12,630) |
| Administrative and other operating expenses | | (90,258) | (68,071) |
| Profit from operations | | 16,031 | 3,905 |
| Finance costs | 4 (a) | (10,795) | (20,707) |
| Share of profits less losses of associates | | 18,886 | 31,437 |
| Profit from ordinary activities before taxation | 4 | 24,122 | 14,635 |
| Taxation credit | 7 (a) | 3,209 | 11,101 |
| Profit after taxation | | 27,331 | 25,736 |
| Minority interests | | 984 | 1,557 |
| Profit attributable to shareholders | 8 & 24 | 28,315 | 27,293 |
| Dividends attributable to the year: | 9 | | |
| Interim dividend paid – \$0.01 (2001: \$Nil) per share | | 3,402 | – |
| Basic earnings per share | 10 | 8.3 cents | 8.0 cents |

The notes on pages 26 to 65 form part of these financial statements.

Consolidated Balance Sheet

At 31 December 2002

(Expressed in Hong Kong dollars)

| | Note | 2002 | | 2001 | |
|--|-------|----------------|-------------------------|----------------|-------------------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-current assets | | | | | |
| Fixed assets | | | | | |
| – Investment properties | 12(a) | | 143,800 | | 143,800 |
| – Other properties and fixed assets | 12(a) | | 1,017,946 | | 315,038 |
| | | | <u>1,161,746</u> | | <u>458,838</u> |
| Properties under development | 13 | | – | | 731,163 |
| Interest in associates | 15 | | 358,301 | | 369,814 |
| Non-trading investments | 16 | | 780 | | 636 |
| | | | <u>1,520,827</u> | | <u>1,560,451</u> |
| Current assets | | | | | |
| Properties under development | 13 | 165,841 | | 149,747 | |
| Properties held for sale | 17 | 268,169 | | 362,629 | |
| Inventories | | 2,011 | | 2,171 | |
| Trade and other receivables | 18 | 33,477 | | 32,535 | |
| Cash and cash equivalents | 19 | 162,312 | | 59,100 | |
| | | <u>631,810</u> | | <u>606,182</u> | |
| Current liabilities | | | | | |
| Bank overdrafts | 20 | 41 | | 273 | |
| Bank loans | 20 | 141,160 | | 87,511 | |
| Trade and other payables | 22 | 57,486 | | 64,960 | |
| Amounts due to an affiliated company | 28 | 114,204 | | 131,464 | |
| Loans from associates | | 1,364 | | 1,364 | |
| Taxation | 7(b) | 31,789 | | 41,902 | |
| | | <u>346,044</u> | | <u>327,474</u> | |
| Net current assets | | | <u>285,766</u> | | <u>278,708</u> |
| Total assets less current liabilities | | | <u>1,806,593</u> | | <u>1,839,159</u> |
| Non-current liabilities | | | | | |
| Bank loans | 20 | 129,194 | | 172,939 | |
| Loans from minority shareholders | 21 | 182,478 | | 172,632 | |
| | | | <u>(311,672)</u> | | <u>(345,571)</u> |
| Minority interests | | | <u>(190,997)</u> | | <u>(212,562)</u> |
| NET ASSETS | | | <u><u>1,303,924</u></u> | | <u><u>1,281,026</u></u> |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 23 | 340,200 | | 340,200 | |
| Reserves | 24 | 963,724 | | 940,826 | |
| | | | <u><u>1,303,924</u></u> | | <u><u>1,281,026</u></u> |

Approved and authorised for issue by the board of directors on 17 April 2003

Ho Kian Guan
Director

Paul Tse See Fan
Director

The notes on pages 26 to 65 form part of these financial statements.

Balance Sheet

At 31 December 2002

(Expressed in Hong Kong dollars)

| | Note | 2002 | | 2001 | |
|--|-------|--------|----------------|--------|-----------------|
| | | \$'000 | \$'000 | \$'000 | \$'000 |
| Non-current assets | | | | | |
| Fixed assets | | | | | |
| – land and buildings | 12(b) | | 4,013 | | – |
| – furniture and fixtures | 12(b) | | 486 | | 4 |
| Interest in subsidiaries | 14 | | 740,586 | | 737,232 |
| Interest in associates | 15 | | 165,342 | | 177,008 |
| Non-trading investments | 16 | | 780 | | 636 |
| | | | <u>911,207</u> | | <u>914,880</u> |
| Current assets | | | | | |
| Properties held for sale | 17 | 14,903 | | 19,087 | |
| Trade and other receivables | 18 | 129 | | 4,680 | |
| Cash and cash equivalents | 19 | 54,486 | | 3,365 | |
| | | | <u>69,518</u> | | <u>27,132</u> |
| Current liabilities | | | | | |
| Bank overdrafts and loans | 20 | 70,597 | | 50,954 | |
| Trade and other payables | 22 | 838 | | 678 | |
| Taxation | 7(b) | 1,515 | | 698 | |
| | | | <u>72,950</u> | | <u>52,330</u> |
| Net current liabilities | | | <u>(3,432)</u> | | <u>(25,198)</u> |
| Total assets less current liabilities | | | <u>907,775</u> | | <u>889,682</u> |
| Non-current liability | | | | | |
| Amounts due to subsidiaries | 14 | | (27,972) | | (52,025) |
| NET ASSETS | | | <u>879,803</u> | | <u>837,657</u> |
| CAPITAL AND RESERVES | | | | | |
| Share capital | 23 | | 340,200 | | 340,200 |
| Reserves | 24 | | 539,603 | | 497,457 |
| | | | <u>879,803</u> | | <u>837,657</u> |

Approved and authorised for issue by the board of directors on 17 April 2003.

Ho Kian Guan

Director

Paul Tse See Fan

Director

The notes on pages 26 to 65 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2002

(Expressed in Hong Kong dollars)

| | <i>Note</i> | 2002 \$'000 | 2001 \$'000 |
|---|-------------|------------------------------|------------------|
| Shareholders' equity at 1 January | | <u>1,281,026</u> | <u>1,243,954</u> |
| Surplus on revaluation of investment properties | <i>24</i> | – | 7,989 |
| Surplus on revaluation of non-trading investments | <i>24</i> | 144 | 69 |
| Exchange differences on translation of the financial statements of foreign entities | <i>24</i> | <u>(2,159)</u> | <u>1,721</u> |
| Net (losses)/gains not recognised in the consolidated profit and loss account | | <u>(2,015)</u> | <u>9,779</u> |
| Net profit for the year | | <u>28,315</u> | <u>27,293</u> |
| Interim dividend paid in respect of the current year | <i>9(a)</i> | <u>(3,402)</u> | <u>–</u> |
| Shareholders' equity at 31 December | | <u>1,303,924</u> | <u>1,281,026</u> |

The notes on pages 26 to 65 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2002

(Expressed in Hong Kong dollars)

| <i>Note</i> | 2002 | 2001 |
|---|---|---|
| | \$'000 | \$'000 |
| Operating activities | | |
| Profit from ordinary activities before taxation | 24,122 | 14,635 |
| Adjustments for: | | |
| – Interest income | (1,828) | (3,408) |
| – Income from non-trading investments | (13) | (17) |
| – Depreciation | 50,479 | 31,812 |
| – Finance costs | 10,795 | 20,707 |
| – Share of profits less losses of associates | (18,886) | (31,437) |
| – Loss on disposal of properties under development | – | 8,402 |
| – Profit on disposal of fixed assets | – | (2) |
| – Effect of foreign exchange rates | (796) | (2,888) |
| – Gain arising from liquidation of subsidiary | (2,187) | – |
| | <hr/> | <hr/> |
| Operating profit before changes in working capital | 61,686 | 37,804 |
| Increase in properties under development held for sale | (29,269) | (3,968) |
| Decrease in properties held for sale | 94,460 | 134,415 |
| Decrease/(increase) in inventories | 160 | (87) |
| Increase in trade and other receivables | (954) | (18,018) |
| Decrease in trade and other payables | (7,474) | (66,189) |
| Decrease in amounts due to an affiliated company | (17,260) | (92,687) |
| | <hr/> | <hr/> |
| Cash generated from/(used in) operations | 101,349 | (8,730) |
| Overseas tax paid | (3,712) | (2,908) |
| | <hr/> | <hr/> |
| Net cash generated from/(used in) operating activities | 97,637 | (11,638) |
| | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Investing activities | | |
| Purchase of fixed assets | (7,943) | (1,920) |
| Proceeds from disposal of fixed assets | 34 | 9 |
| Addition to property under development held for long term purpose | – | (5,677) |
| Proceeds from disposal of property under development | – | 10,093 |
| Repayment from associates | 23,658 | 29,155 |
| Interest received | 1,828 | 3,408 |
| Dividends received from other listed investments | 13 | 17 |
| Proceeds from share redemption of an associate | 3,988 | – |
| | <hr/> | <hr/> |
| Net cash generated from investing activities | 21,578 | 35,085 |
| | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |

Consolidated Cash Flow Statement (Continued)

For the year ended 31 December 2002

(Expressed in Hong Kong dollars)

| | <i>Note</i> | 2002 \$'000 | 2001 \$'000 |
|---|-------------|---|---|
| Financing activities | | | |
| Draw down of new bank loan | | 20,000 | 50,708 |
| Repayment of bank loans | | (10,096) | (62,878) |
| Advance from minority shareholders | | 12,036 | 30,442 |
| Interest paid | | (13,736) | (27,456) |
| Dividends paid | | (3,402) | – |
| Dividends paid to minority shareholders | | (20,573) | (32,912) |
| | | <hr/> | <hr/> |
| Net cash used in financing activities | | (15,771) | (42,096) |
| | | <hr style="border-top: 1px dashed black;"/> | <hr style="border-top: 1px dashed black;"/> |
| Net increase/(decrease) in cash and cash equivalents | | 103,444 | (18,649) |
| Cash and cash equivalents at 1 January | | 58,827 | 77,476 |
| | | <hr/> | <hr/> |
| Cash and cash equivalents at 31 December | <i>19</i> | 162,271 | 58,827 |
| | | <hr style="border-top: 3px double black;"/> | <hr style="border-top: 3px double black;"/> |

The notes on pages 26 to 65 form part of these financial statements.

Notes on the Financial Statements

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES

(a) Statement of compliance

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

(b) Basis of preparation of the financial statements

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

(c) Subsidiaries

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

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Subsidiaries (Continued)

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

(d) Associates

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

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

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Goodwill

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

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

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(f) Fixed assets

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Properties under development

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

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

(ii) *Properties under development held for sale*

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

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

(h) Depreciation

(i) *Investment properties*

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

(ii) *Properties under development*

No depreciation is provided on properties under development.

(iii) *Hotel properties*

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

(iv) *Land and buildings and other properties*

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Depreciation (Continued)

(v) Other fixed assets

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

| | |
|-----------------------------------|---------------------------------------|
| Furniture, fixtures and equipment | – 3 to 5 years |
| Motor vehicles | – 6 ² / ₃ years |

(i) Impairment of assets

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

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

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

(i) Calculation of recoverable amount

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

(ii) Reversals of impairment losses

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(j) Investments in securities

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

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

(k) Properties held for sale

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

(l) Other inventories

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Cash equivalents

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

(n) Deferred taxation

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

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

(o) Provisions and contingent liabilities

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Revenue recognition

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

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

(q) Translation of foreign currencies

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

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) Operating leases

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

(s) Employee benefits

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

(t) Borrowing costs

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

1. SIGNIFICANT ACCOUNTING POLICIES (Continued)

(u) Affiliated companies

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

(v) Related parties

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

(w) Segment reporting

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

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

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

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

2. TURNOVER

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

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

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

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

| | 2002 | 2001 |
|---|---------------------|----------------|
| | \$'000 | \$'000 |
| (a) Other revenue | | |
| Interest income | 1,828 | 3,408 |
| Dividend income from non-trading listed investments | 13 | 17 |
| Others | 2,266 | 743 |
| | <u>4,107</u> | <u>4,168</u> |
| (b) Other net income/(loss) | | |
| Exchange gain/(loss) | 1,799 | (1,402) |
| Profit on disposal of fixed assets | – | 2 |
| Loss on disposal of properties under development | – | (8,402) |
| Others | 2,136 | – |
| | <u>3,935</u> | <u>(9,802)</u> |

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

4. PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION

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

| | 2002 \$'000 | 2001 \$'000 |
|--|----------------|----------------|
| (a) Finance costs | | |
| Interest on bank overdrafts and other advances repayable within five years | 9,049 | 17,280 |
| Interest paid on amounts due to an affiliated company | 3,966 | 9,505 |
| Other borrowing costs | 721 | 671 |
| | <u>13,736</u> | <u>27,456</u> |
| Total borrowing costs | 13,736 | 27,456 |
| Less: Borrowing costs capitalised into properties under development * | (2,941) | (6,749) |
| | <u>10,795</u> | <u>20,707</u> |
| * The borrowing costs have been capitalised at a rate of 3% per annum (2001: 3-8% per annum) for properties under development. | | |
| | 2002 \$'000 | 2001 \$'000 |
| (b) Staff costs | | |
| Contributions to defined contribution retirement schemes | 771 | 657 |
| Salaries, wages and other benefits | 16,263 | 15,349 |
| | <u>17,034</u> | <u>16,006</u> |
| (c) Other items | | |
| Cost of properties sold | 95,014 | 132,765 |
| Cost of inventories | 7,428 | 7,044 |
| Depreciation | 50,479 | 31,812 |
| Auditors' remuneration | 1,018 | 906 |
| Operating lease charges for hire of premises | 254 | 254 |
| Rentals receivable from investment properties less direct outgoings | (6,120) | (4,854) |
| Other rental income less direct outgoings | (15,696) | (1,392) |

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

5. DIRECTORS' REMUNERATION

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

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

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

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

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

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

6. MANAGEMENT REMUNERATION

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

6. MANAGEMENT REMUNERATION (Continued)

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

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

7. TAXATION

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

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

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

(b) Taxation in the balance sheets represents:

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

7. TAXATION (Continued)

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

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

8. PROFIT ATTRIBUTABLE TO SHAREHOLDERS

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

9. DIVIDENDS

(a) Dividends attributable to the year

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

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

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

10. EARNINGS PER SHARE

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

11. SEGMENT REPORTING

(a) Geographical segments by the location of assets

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

Geographical segments

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

11. SEGMENT REPORTING (Continued)

Geographical segments (Continued)

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

11. SEGMENT REPORTING (Continued)

(b) Business segments

The Group comprises the following main business segments:

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

Business segments

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

Segment assets are before elimination of inter-segment balances.

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

12. FIXED ASSETS

(a) The Group

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

12. FIXED ASSETS (Continued)

(a) The Group (Continued)

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

12. FIXED ASSETS (Continued)

(a) The Group (Continued)

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

| | 2002 | 2001 |
|---------------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Within 1 year | 5,865 | 6,222 |
| After 1 year but within 5 years | 2,343 | 3,544 |
| | 8,208 | 9,766 |

(b) The Company

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

12. FIXED ASSETS (Continued)

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

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

13. PROPERTIES UNDER DEVELOPMENT

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

(a) Property under development held for long term purposes

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

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

(b) Properties under development held for sale

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

13. PROPERTIES UNDER DEVELOPMENT (Continued)

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

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

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

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

14. INTEREST IN SUBSIDIARIES

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

14. INTEREST IN SUBSIDIARIES (Continued)

Details of the subsidiaries are as follows:

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

14. INTEREST IN SUBSIDIARIES (Continued)

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

15. INTEREST IN ASSOCIATES

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

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

15. INTEREST IN ASSOCIATES (Continued)

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

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

15. INTEREST IN ASSOCIATES (Continued)

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

Consolidated profit and loss account

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

Consolidated balance sheet

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

16. NON-TRADING INVESTMENTS

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

17. PROPERTIES HELD FOR SALE

Properties held for sale comprise:

(a) Ocean Park held by the Company

The property is freehold and situated in Singapore.

(b) Heng Fa Chuen held by the Company

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

(c) Properties in Macau held by subsidiaries

(i) Ocean Centre II

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

(ii) Keck Seng Industrial Centre III

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

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

(iii) Ocean Gardens

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

18. TRADE AND OTHER RECEIVABLES

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

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

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

19. CASH AND CASH EQUIVALENTS

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

20. BANK OVERDRAFTS AND LOANS

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

20. BANK OVERDRAFTS AND LOANS (Continued)

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

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

21. LOANS FROM MINORITY SHAREHOLDERS

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

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

22. TRADE AND OTHER PAYABLES

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

22. TRADE AND OTHER PAYABLES (Continued)

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

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

23. SHARE CAPITAL

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

24. RESERVES

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

24. RESERVES (Continued)

Profit for the year is retained as follows:

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

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

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

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

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

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

25. COMMITMENTS

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

25. COMMITMENTS (Continued)

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

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

26. CONTINGENT LIABILITIES

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

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

27. MACAU PROPERTIES

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

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

28. MATERIAL RELATED PARTY TRANSACTIONS

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

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

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

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

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

Notes on the Financial Statements (Continued)

(Expressed in Hong Kong dollars)

28. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

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

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

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

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

29. COMPARATIVE FIGURES

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

Five Year Financial Summary

(Expressed in Hong Kong dollars)

| | 2002 | 2001 | 2000 | 1999 | 1998 |
|---|------------------|------------------|------------------|------------------|------------------|
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Profit and loss account | | | | | |
| Turnover | <u>224,502</u> | <u>246,589</u> | <u>104,829</u> | <u>370,947</u> | <u>94,898</u> |
| Operating profit/(loss) | <u>5,236</u> | <u>(16,802)</u> | <u>(58,652)</u> | <u>34,280</u> | <u>(16,063)</u> |
| Share of profits less losses of associates | <u>18,886</u> | <u>31,437</u> | <u>22,528</u> | <u>12,516</u> | <u>26,014</u> |
| Profit/(loss) before taxation | <u>24,122</u> | <u>14,635</u> | <u>(36,124)</u> | <u>46,796</u> | <u>9,951</u> |
| Taxation | <u>3,209</u> | <u>11,101</u> | <u>21,074</u> | <u>(1,655)</u> | <u>16,255</u> |
| Profit/(loss) after taxation | <u>27,331</u> | <u>25,736</u> | <u>(15,050)</u> | <u>45,141</u> | <u>26,206</u> |
| Minority interests | <u>984</u> | <u>1,557</u> | <u>21,998</u> | <u>(5,034)</u> | <u>1,443</u> |
| Profit attributable to shareholders | <u>28,315</u> | <u>27,293</u> | <u>6,948</u> | <u>40,107</u> | <u>27,649</u> |
| Balance sheet | | | | | |
| Fixed assets | <u>1,161,746</u> | <u>458,838</u> | <u>472,958</u> | <u>514,769</u> | <u>522,302</u> |
| Properties under development | <u>–</u> | <u>731,163</u> | <u>737,026</u> | <u>726,568</u> | <u>604,254</u> |
| Interest in associates | <u>358,301</u> | <u>369,814</u> | <u>370,367</u> | <u>354,928</u> | <u>324,945</u> |
| Non-trading investments | <u>780</u> | <u>636</u> | <u>567</u> | <u>584</u> | <u>592</u> |
| Current assets | <u>631,810</u> | <u>606,182</u> | <u>736,917</u> | <u>834,838</u> | <u>829,355</u> |
| | <u>2,152,637</u> | <u>2,166,633</u> | <u>2,317,835</u> | <u>2,431,687</u> | <u>2,281,448</u> |
| Share capital | <u>340,200</u> | <u>340,200</u> | <u>340,200</u> | <u>340,200</u> | <u>226,800</u> |
| Share premium | <u>158,105</u> | <u>158,105</u> | <u>158,105</u> | <u>158,105</u> | <u>159,105</u> |
| Investment property revaluation reserve | <u>8,080</u> | <u>8,080</u> | <u>91</u> | <u>3,696</u> | <u>29,874</u> |
| Other reserves | <u>797,539</u> | <u>774,641</u> | <u>745,558</u> | <u>745,491</u> | <u>703,475</u> |
| Minority interests | <u>190,997</u> | <u>212,562</u> | <u>245,020</u> | <u>281,284</u> | <u>288,887</u> |
| Non-current liabilities | <u>311,672</u> | <u>345,571</u> | <u>328,712</u> | <u>304,774</u> | <u>137,443</u> |
| Current liabilities | <u>346,044</u> | <u>327,474</u> | <u>500,149</u> | <u>598,137</u> | <u>735,864</u> |
| | <u>2,152,637</u> | <u>2,166,633</u> | <u>2,317,835</u> | <u>2,431,687</u> | <u>2,281,448</u> |
| Other data | | | | | |
| Basic earnings per share (cents) (note 1) | <u>8.3</u> | <u>8</u> | <u>2</u> | <u>16</u> | <u>12</u> |
| Dividends per share (cents) (note 1) | <u>1.0</u> | <u>Nil</u> | <u>Nil</u> | <u>1.5</u> | <u>2</u> |
| Dividend cover (times) | <u>8.3</u> | <u>Nil</u> | <u>Nil</u> | <u>10.1</u> | <u>6.1</u> |

Five Year Financial Summary (Continued)

(Expressed in Hong Kong dollars)

Note 1: Basic earnings per share and dividends per share for 1999 and all prior years have been adjusted for 113,400,000 shares issued by way of rights on 16 November 1999.

Note 2: Figures for the year 1998 have been restated as a result of the change in the accounting policy for pre-operating expenses in the year ended 31 December 1999.

Note 3: Current liabilities and retained profits included in other reserves were adjusted at 31 December 1998 and 1999, pursuant to the revised Statement of Standard Accounting Practice No. 9 "Events after the balance sheet date".

Schedule of Principal Properties

At 31 December 2002

PROPERTIES HELD FOR RENTAL/INVESTMENT

| Properties | Group's interest | Type | No. of units | Gross floor area (sq. ft.) | Lease term |
|--|------------------|------------------------|--------------|----------------------------|--------------|
| Luso International Bank Building 1-3 Rua Dr. Pedro Jose Lobo, Macau | 100% | Office | 40 | 30,264 | Medium lease |
| Ocean Plaza, I & II Ocean Gardens, Macau | 70.61% | Commercial | 48 | 94,525 | Medium lease |
| Ocean Tower Ocean Gardens, Macau | 70.61% | Office | 19 | 49,703 | Medium lease |
| Sheraton Ottawa Hotel Ottawa, Canada | 50% | Hotel | 236 | 193,408 | Freehold |
| International Plaza Hotel and Conference Centre Toronto, Canada | 25% | Hotel | 438 | 450,000 | Freehold |
| Four Points Hotel by Sheraton Quebec, Canada | 12.5% | Hotel | 201 | 121,206 | Freehold |
| Caravelle Hotel Ho Chi Minh City, Vietnam | 25% | Hotel | 335 | 247,500 | Medium lease |
| Holiday Inn Riverside Wuhan Wuhan, China | 41.26% | Hotel | 336 | 295,224 | Medium lease |
| Sheraton Saigon Executive Residences Ho Chi Minh City, Vietnam | 63.07% | Serviced Apartments | 96 | 202,650 | Medium lease |
| Sheraton Saigon Hotel & Towers Ho Chi Minh City, Vietnam | 63.07% | Hotel | 382 | 472,850 | Medium lease |

PROPERTIES HELD FOR AND UNDER DEVELOPMENT

| Properties | Group's interest | Type | Gross floor area (sq. ft.) | Stage of completion | Estimated completion |
|--|------------------|-------------|----------------------------|------------------------------------|----------------------|
| Cattleya Court Ocean Gardens, Macau | 70.61% | Residential | 139,469 | Interior finishings in progress | 31 July 2003 |
| Magnolia Court Ocean Gardens, Macau | 70.61% | Residential | 139,469 | Interior finishings in progress | 31 July 2003 |
| Aster Court Ocean Gardens, Macau | 70.61% | Residential | 103,302 | Superstructure works up to roof | 31 December 2004 |
| Bamboo Court Ocean Gardens, Macau | 70.61% | Residential | 103,302 | Superstructure works up to roof | 31 December 2004 |

Schedule of Principal Properties (Continued)

At 31 December 2002

PROPERTIES HELD FOR SALE

| Properties | Group's interest | Type | No. of units | Gross floor area (sq. ft.) | Lease term |
|--|------------------|-------------|--------------|----------------------------|--------------|
| Ocean Industrial Centre, Phase II Rua dos Pescadores, Macau | 100% | Industrial | 3 | 22,921 | Medium lease |
| Ocean Park 530 East Coast Road, Singapore | 100% | Residential | 6 | 12,438 | Freehold |
| Heng Fa Chuen Chaiwan, Hong Kong | 100% | Residential | 2 | 1,812 | Long lease |
| Poplar Court Ocean Gardens, Macau | 70.61% | Residential | 4 | 5,576 | Medium lease |
| Rose Court Ocean Gardens, Macau | 70.61% | Residential | 3 | 11,121 | Medium lease |
| Begonia Court Ocean Gardens, Macau | 70.61% | Residential | 19 | 50,103 | Medium lease |
| Orchid Court Ocean Gardens, Macau | 70.61% | Residential | 36 | 94,932 | Medium lease |
| Lotus Court Ocean Gardens, Macau | 70.61% | Residential | 1 | 1,792 | Medium lease |
| Sakura Court Ocean Gardens, Macau | 70.61% | Residential | 42 | 155,694 | Medium lease |
| Syringa Court Ocean Gardens, Macau | 70.61% | Residential | 4 | 4,120 | Medium lease |
| Kapok Court Ocean Gardens, Macau | 70.61% | Residential | 3 | 3,090 | Medium lease |
| Lily Court Ocean Gardens, Macau | 70.61% | Residential | 37 | 68,981 | Medium lease |
| Dahlia Court Ocean Garden, Macau | 70.61% | Residential | 7 | 9,414 | Medium lease |
| Beijing Riviera Beijing, China | 24% | Residential | 197 | 608,909 | Long lease |