

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2003

1. GENERAL

The Company is a listed public limited liability company incorporated in Hong Kong. Its ultimate holding company is Tsim Sha Tsui Properties Limited (“TST Properties”), a public limited company incorporated and listed in Hong Kong.

The Company acts as an investment holding company. The principal activities of its principal subsidiaries are set out in note 44.

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

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

Foreign currencies

The revisions to SSAP 11 “Foreign currency translation” have eliminated the choice of translating the income statements of subsidiaries outside Hong Kong at the closing rate for the period. They are now required to be translated at an average rate. Accordingly, on consolidation, the assets and liabilities of the Group’s subsidiaries are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period. Exchange differences arising, if any, are classified as equity and transferred to the Group’s exchange reserve. Such translation differences are recognised as income or as expenses in the period in which the subsidiary is disposed of. This change in accounting policy has not had any material effect on the results for the current or prior accounting periods.

Cash flow statements

In the current year, the Group adopted SSAP 15 (Revised) “Cash flow statements”. Under SSAP 15 (Revised), cash flows are classified under three headings – operating, investing and financing, rather than the previous five headings. Interest and dividends, which were previously presented under a separate heading, are classified as operating, investing or financing cash flows. Cash flows arising from taxes on income are classified as operating activities, unless they can be separately identified with investing or financing activities. Cash flows of subsidiaries outside Hong Kong have been re-translated at the rates prevailing at the dates of the cash flows rather than the rate of exchange ruling on the balance sheet date.

Employee benefits

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES

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

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 30th June each year.

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

All significant intercompany transactions and balances within the Group have been eliminated on consolidation.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition. Goodwill is recognised as an asset and amortised on a straight line basis over its useful economic life. Goodwill arising on the acquisition of an associate is included within the carrying amount of the associate.

Negative goodwill

Negative goodwill represents the excess of the Group's interest in the fair value of the identifiable assets and liabilities of an associate at the date of acquisition over the cost of acquisition. Negative goodwill is presented as a deduction from assets and is released to income based on an analysis of the circumstances from which the balance resulted.

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

Negative goodwill arising on the acquisition of an associate is deducted from the carrying value of that associate.

Investments in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Interests in associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates for the year. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates plus the premium paid and less any discount on acquisition in so far as it has not already been amortised or released to income, less any identified impairment loss.

In the Company's balance sheet, investments in associates are stated at cost, less any identified impairment loss.

Where the accounting dates of the associates are different from the Group's accounting date, their results accounted for in the Group's financial statements are based on their latest audited financial statements and/or management accounts made up to 30th June in each year.

Investments in securities

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

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

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

Investment properties

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Hotel property

Hotel property is stated at cost and no depreciation is provided on hotel property held on leases of more than twenty years. It is the Group's practice to maintain the properties in a continual state of sound repair and maintenance, and accordingly, the Directors consider that depreciation is not necessary due to their high residual value. The related maintenance expenditure is dealt with in the income statement in the year of expenditure.

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment over their estimated useful lives, using the straight line method, at the following rates per annum:

Computer systems	20%
Furniture, fixtures and equipment	10% – 20%
Leasehold improvements	20%
Motor vehicles	20%
Plant and machinery	10% – 20%

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

Impairment

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

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

Properties under development

Properties under development which are developed for sale are included in current assets at the lower of cost and estimated net realisable value.

Stocks of unsold properties

Stocks of unsold properties are stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total land and development costs attributable to the unsold properties.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Hotel inventories

Hotel inventories are stated at the lower of cost and net realisable value. Cost is calculated using weighted average cost method.

Other non-current assets

Other non-current assets represent club memberships and are stated at cost less any identified impairment loss.

Borrowing costs

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

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

Deferred loan arrangement fees

Deferred loan arrangement fees are deferred and amortised to the income statement over the repayment term of the loan on a straight line basis to provide a constant periodic rate of charge.

Convertible notes

Convertible notes are stated at the aggregate of the net proceeds from the issue plus finance costs provided.

The net proceeds represent the amount received on the issue of the convertible notes after deduction of direct issue costs. Direct issue costs are amortised to the income statement on a straight line basis over the period from the date of issue to the date on which the noteholders can exercise their redemption option (the "noteholders' redemption date"). If any of the convertible notes are purchased and cancelled, redeemed or converted prior to the noteholders' redemption date, any remaining unamortised costs attributable to the convertible notes purchased will be written off immediately to the income statement.

Finance costs represent the premium that is to be paid to the noteholders upon redemption on or before the noteholders' redemption date. The estimated premium is provided for at a constant rate over the period when the noteholders' redemption option is outstanding and is charged to the income statement. If any of the convertible notes are purchased and cancelled prior to the noteholders' redemption date, any provision of such redemption premium in previous years in respect of the convertible notes purchased or converted will be taken to the income statement.

The gain or loss on purchase of convertible notes, representing the difference between the consideration paid and the nominal value of the convertible notes purchased, is recognised in the income statement.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Revenue and profit recognition

- (a) Revenue and profit on the sales of properties are recognised upon completion of the sales agreements or transfer of risk and reward of ownership, whichever is earlier.
- (b) Income from properties developed for sale is recognised on the execution of a binding sale agreement or when the relevant occupation permit is issued by the respective building authority, whichever is later. Payments received from the purchasers prior to this stage are recorded as deposits received on sales of properties and presented as current liabilities.
- (c) Sales of listed investments are recognised when the title of the investment is transferred and the buyer takes legal possession of the investment.
- (d) Rental income under operating leases is recognised on a straight line basis over the term of the relevant lease.
- (e) Building management and service fee income is recognised on an appropriate basis over the relevant period in which the services are rendered.
- (f) Interest income is accrued on a time basis by reference to the principal outstanding and at the interest rate applicable.
- (g) Where properties are sold under deferred terms, the difference between the sales prices with and without such terms is treated as deferred interest income and is released to the income statement on a straight line basis over the repayment period commencing from the completion of the relevant sales agreements.
- (h) Dividend income from investments is recognised when the Group's rights to receive payment have been established.
- (i) Hotel income is recognised when services are provided.

Taxation

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

3. PRINCIPAL ACCOUNTING POLICIES (Continued)

Foreign currencies

Transactions in currencies other than Hong Kong dollars are initially recorded at the rates of exchange prevailing on the dates of the transactions. Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates prevailing on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the year.

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

Retirement benefits costs

Payments to the Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense as they fall due.

4. TURNOVER

	2003 HK\$	2002 HK\$
Sales of properties held for sale	2,523,490,191	587,750,561
Gross rental income from properties	830,293,109	831,481,466
Building management and service fee income	392,981,569	385,110,443
Hotel operations	196,670,559	201,616,565
Interest income from loans receivable	102,321,162	5,800,847
Sales of investment properties	92,233,000	656,127,000
Dividend income		
listed investments	34,955,519	27,534,104
unlisted investments	10,529,661	11,279,034
Sales of investments in trading securities	—	6,724,176
	4,183,474,770	2,713,424,196

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS

Business segments

For management purposes, the Group is currently organised into five operating divisions – property, security, financing, hotel and building management and services. These operating divisions are the basis on which the Group reports its primary segment information as follows:

INCOME STATEMENT

For the year ended 30th June, 2003

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
REVENUE							
Turnover							
Property rental	830,293,109	—	—	—	—	—	830,293,109
Property sales	2,615,723,191	—	—	—	—	—	2,615,723,191
Hotel operations	—	—	—	196,670,559	—	—	196,670,559
Management services	61,551,606	—	—	—	331,429,963	—	392,981,569
Share investment and dealing	—	45,485,180	—	—	—	—	45,485,180
Financing	—	—	102,321,162	—	—	—	102,321,162
	<u>3,507,567,906</u>	<u>45,485,180</u>	<u>102,321,162</u>	<u>196,670,559</u>	<u>331,429,963</u>	<u>—</u>	<u>4,183,474,770</u>
Other operating income	22,509,300	753,799	273,909	—	32,159,374	—	55,696,382
Inter-segment sales *	—	—	—	—	23,919,078	(23,919,078)	—
	<u>3,530,077,206</u>	<u>46,238,979</u>	<u>102,595,071</u>	<u>196,670,559</u>	<u>387,508,415</u>	<u>(23,919,078)</u>	<u>4,239,171,152</u>
SEGMENT RESULT							
	<u>969,201,285</u>	<u>45,989,855</u>	<u>102,595,071</u>	<u>77,064,213</u>	<u>178,957,395</u>	<u>—</u>	<u>1,373,807,819</u>
Unallocated corporate expenses							(770,815,151)
Profit from operations							602,992,668
Net finance costs							(432,845,575)
Share of results of associates	(104,642,853)	69,209	(1,434,347)	26,049,520	5,287,586	—	(74,670,885)
Profit on disposal of an associate							30,528,060
Profit before taxation							126,004,268
Taxation							(76,735,107)
Profit before minority interests							49,269,161
Minority interests							1,650,987
Net profit for the year							<u>50,920,148</u>

* Inter-segment sales were charged at cost plus margin basis as agreed between both parties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

At 30th June, 2003

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
ASSETS						
Segment assets	24,663,663,755	1,395,674,936	1,048,918,082	1,680,301,405	832,973,295	29,621,531,473
Interests in associates	10,368,732,728	3,850,761	(2,644,980)	790,143,568	(41,358,269)	11,118,723,808
Unallocated corporate assets						21,620,306
Consolidated total assets						<u>40,761,875,587</u>
LIABILITIES						
Segment liabilities	5,550,272,792	15,249,497	402,007,720	264,186,275	120,889,457	6,352,605,741
Borrowings						
Segment	4,861,333,773	289,463,106	—	732,319,500	—	5,883,116,379
Corporate						2,596,330,151
Convertible notes						1,489,378,714
Unallocated corporate liabilities						105,609,771
Consolidated total liabilities						<u>16,427,040,756</u>

OTHER INFORMATION

For the year ended 30th June, 2003

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
Amortisation of goodwill	308,611	—	—	8,985,877	—	9,294,488
Capital additions	794,428	—	—	2,282,809	5,439,097	8,516,334
Depreciation	414,895	873,415	—	7,968,960	7,421,572	16,678,842
Hotel property additions	—	—	—	24,349,375	—	24,349,375
Impairment loss on investments in other securities	—	252,397,016	—	—	—	252,397,016
Investment property additions	27,797,214	—	—	—	—	27,797,214
Unrealised holding loss on investments in trading securities	—	124,091,924	—	—	—	124,091,924

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

INCOME STATEMENT

For the year ended 30th June, 2002

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Elimination HK\$	Consolidated HK\$
REVENUE							
Turnover							
Property rental	831,481,466	—	—	—	—	—	831,481,466
Property sales	1,243,877,561	—	—	—	—	—	1,243,877,561
Hotel operations	—	—	—	201,616,565	—	—	201,616,565
Management services	49,886,540	—	—	—	335,223,903	—	385,110,443
Share investment and dealing	—	45,537,314	—	—	—	—	45,537,314
Financing	—	—	5,800,847	—	—	—	5,800,847
	<u>2,125,245,567</u>	<u>45,537,314</u>	<u>5,800,847</u>	<u>201,616,565</u>	<u>335,223,903</u>	<u>—</u>	<u>2,713,424,196</u>
Other operating income	23,846,900	7,813,949	489,884	2,268,699	26,843,254	—	61,262,686
Inter-segment sales *	—	—	—	—	20,656,524	(20,656,524)	—
	<u>2,149,092,467</u>	<u>53,351,263</u>	<u>6,290,731</u>	<u>203,885,264</u>	<u>382,723,681</u>	<u>(20,656,524)</u>	<u>2,774,686,882</u>
SEGMENT RESULT							
	<u>1,225,463,779</u>	<u>46,849,385</u>	<u>6,290,731</u>	<u>97,393,504</u>	<u>169,681,515</u>	<u>—</u>	<u>1,545,678,914</u>
Unallocated corporate expenses							(797,648,216)
Profit from operations							748,030,698
Net finance costs							(380,443,141)
Share of results of associates	(135,195,945)	(2,679,732)	(483,968)	36,461,822	(3,193,023)	—	(105,090,846)
Profit on disposal of subsidiaries							12,712,419
Profit on disposal of associates							69,611,638
Profit before taxation							344,820,768
Taxation							(89,775,703)
Profit before minority interests							255,045,065
Minority interests							7,742,631
Net profit for the year							<u>262,787,696</u>

* Inter-segment sales were charged at cost plus margin basis as agreed between both parties.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

5. BUSINESS AND GEOGRAPHICAL SEGMENTS (Continued)

Business segments (Continued)

BALANCE SHEET

At 30th June, 2002

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
ASSETS						
Segment assets	24,222,340,539	1,410,918,791	1,459,558,713	1,310,025,379	1,245,857,340	29,648,700,762
Interests in associates	11,085,759,297	(1,500,652)	(1,210,607)	767,547,348	(37,321,252)	11,813,274,134
Unallocated corporate assets						8,747,697
Consolidated total assets						<u>41,470,722,593</u>
LIABILITIES						
Segment liabilities	6,458,462,279	7,266,997	74,909,237	276,384,585	100,753,867	6,917,776,965
Borrowings						
Segment	4,553,491,086	469,945,716	—	733,072,600	—	5,756,509,402
Corporate						1,559,917,630
Convertible notes						1,465,155,655
Unallocated corporate liabilities						50,391,217
Consolidated total liabilities						<u>15,749,750,869</u>

OTHER INFORMATION

For the year ended 30th June, 2002

	Property HK\$	Security HK\$	Financing HK\$	Hotel HK\$	Building management and services HK\$	Consolidated HK\$
Amortisation of goodwill	308,611	—	—	8,985,877	—	9,294,488
Capital additions	393,734	—	—	44,172,750	6,241,812	50,808,296
Depreciation	263,366	889,083	—	9,277,978	7,623,140	18,053,567
Hotel property additions	—	—	—	21,293,305	—	21,293,305
Impairment loss on investments in other securities	—	103,107,616	—	—	—	103,107,616
Investment property additions	148,224,049	—	—	—	—	148,224,049
Unrealised holding loss on investments in trading securities	—	180,228,233	—	—	—	180,228,233

Geographical segments

Most of the activities of the Group are based in Hong Kong and more than 90% of the Group's turnover, profit before taxation, assets and liabilities are derived from Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

6. PROFIT FROM OPERATIONS

	2003 HK\$	2002 HK\$
Profit from operations has been arrived at after charging (crediting):		
Staff costs including Directors' remuneration	407,718,679	411,692,718
Retirement benefits scheme contributions	20,078,446	20,924,363
Total staff costs	<u>427,797,125</u>	<u>432,617,081</u>
Auditors' remuneration	1,946,193	1,575,611
Cost of hotel inventories recognised	19,909,539	24,307,804
Depreciation	16,678,842	18,053,567
Loss on disposal of property, plant and equipment	31,353	67,954
Loss (profit) on disposal of investment properties	17,927,321	(419,515,734)
Net exchange loss	3,715,761	7,300,968

7. FINANCE INCOME

	2003 HK\$	2002 HK\$
Interest income on		
advances to associates	63,939,858	84,176,147
advances to investee companies	6,972,510	7,016,695
bank deposits	26,759,589	34,278,031
	<u>97,671,957</u>	<u>125,470,873</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

8. FINANCE COSTS

	2003 HK\$	2002 HK\$
Interest on:		
bank loans and overdrafts wholly repayable within five years	158,012,092	179,926,518
other loans wholly repayable within five years	198,506,843	253,821,900
convertible notes	56,250,000	35,139,814
Finance costs upon early repayment of loans	107,999,777	—
Provision for premium on redemption of convertible notes	16,710,000	47,927,392
Write-off of deferred loan arrangement fees upon early repayment of loans	7,590,415	—
Amortisation of issue costs of convertible notes	7,513,059	5,565,066
Amortisation of loan arrangement fees	20,094,129	22,031,730
Commitment fees	4,514,314	3,040,601
	<u>577,190,629</u>	<u>547,453,021</u>
Less: Amounts capitalised to properties under development	(46,673,097)	(41,539,007)
	<u>530,517,532</u>	<u>505,914,014</u>

9. SHARE OF RESULTS OF ASSOCIATES

	2003 HK\$	2002 HK\$
Share of results of associates comprises:		
Share of losses of associates	70,504,794	98,360,557
Amortisation of associates' goodwill	9,294,488	9,294,488
Release of associates' negative goodwill	(5,128,397)	(2,564,199)
	<u>74,670,885</u>	<u>105,090,846</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

10. DIRECTORS' REMUNERATION

	2003 <i>HK\$</i>	2002 <i>HK\$</i>
Directors' fees:		
Executive Directors	190,000	170,000
Independent Non-Executive Directors	120,000	120,000
	<u>310,000</u>	<u>290,000</u>
Other emoluments:		
Executive Directors		
Salaries and other benefits	14,320,948	25,645,602
Retirement benefits scheme contributions	112,500	118,000
	<u>14,743,448</u>	<u>26,053,602</u>

The remuneration of the Directors was within the following bands:

<i>HK\$</i>	Number of Directors	
	2003	2002
Nil – 1,000,000	5	2
1,000,001 – 1,500,000	2	1
2,000,001 – 2,500,000	1	—
2,500,001 – 3,000,000	—	1
3,000,001 – 3,500,000	1	—
3,500,001 – 4,000,000	—	1
4,000,001 – 4,500,000	1	3
5,000,001 – 5,500,000	—	1
	<u> </u>	<u> </u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, two (2002: five) are Executive Directors of the Company whose emoluments are included in note 10 above. The emoluments of the remaining three (2002: Nil) individuals disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

	2003 HK\$	2002 HK\$
Salaries and other emoluments (including basic salaries, housing allowances, other allowances and benefits in kind)	8,286,889	—
Retirement benefits scheme contributions	36,000	—
	<u>8,322,889</u>	<u>—</u>

The emoluments were within the following bands:

HK\$	Number of individual	
	2003	2002
2,000,001 – 2,500,000	1	—
2,500,001 – 3,000,000	2	—
	<u>3</u>	<u>—</u>

For the year ended 30th June, 2003 and 2002, no emoluments were paid by the Group to these five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no Director waived any emoluments.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

12. TAXATION

	2003 HK\$	2002 HK\$
The charge comprises:		
Hong Kong Profits Tax		
Provision for the year	60,056,282	73,229,538
Under(over)provision in previous years	<u>1,862,356</u>	<u>(105,468)</u>
Taxation attributable to the Company and its subsidiaries	61,918,638	73,124,070
Share of taxation attributable to associates		
Hong Kong Profits Tax	<u>14,816,469</u>	<u>16,651,633</u>
	<u>76,735,107</u>	<u>89,775,703</u>

Hong Kong Profits Tax is calculated at 17.5% (2002: 16%) of the estimated assessable profit for the year.

Details of the potential deferred tax credit not recognised in the year are set out in note 35.

13. DIVIDENDS

	2003 HK\$	2002 HK\$
Final dividend paid for the year ended 30th June, 2002: HK2 cents (2001: HK2 cents) per share	77,288,637	76,821,664
Interim dividend paid for the year ended 30th June, 2003: HK2 cents (2002: HK2 cents) per share	<u>77,369,560</u>	<u>77,151,732</u>
	<u>154,658,197</u>	<u>153,973,396</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

13. DIVIDENDS *(Continued)*

During the year, scrip dividends were offered in respect of the 2002 final and 2003 interim dividends. These scrip alternatives were accepted by the majority of shareholders, as follows:

	2003 Interim HK\$	2002 Final HK\$
Dividends:		
Cash	13,290,111	21,174,905
Scrip alternatives	64,079,449	56,113,732
	<u>77,369,560</u>	<u>77,288,637</u>

A final dividend of HK2 cents per share for the year ended 30th June, 2003 (2002: HK2 cents) has been proposed by the Directors and is subject to approval by the shareholders in the Annual General Meeting.

14. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$50,920,148 (2002: HK\$262,787,696) and on the weighted average number of 3,871,889,199 (2002: 3,857,495,004) ordinary shares in issue throughout the year.

No diluted earnings per share has been compiled and presented for the years ended 30th June, 2003 and 2002 as the effect of the assumed conversion of the Group's outstanding convertible notes would result in an increase in net profit per share for both years.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

15. INVESTMENT PROPERTIES

	Investment properties in Hong Kong held under long leases <i>HK\$</i>	Investment properties in Hong Kong held under medium- term leases <i>HK\$</i>	Investment property in Singapore held under a long lease <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP				
VALUATION				
At 1st July, 2002	1,010,000,000	13,091,617,720	346,928,816	14,448,546,536
Exchange difference	—	—	1,744,032	1,744,032
Transfer from properties under development	—	164,235,090	—	164,235,090
Acquisition of a subsidiary	—	11,000,000	—	11,000,000
Additions	—	9,929,442	6,867,772	16,797,214
Disposals	—	(118,300,163)	—	(118,300,163)
Deficit on revaluation	(127,000,000)	(1,083,666,589)	(20,448,970)	(1,231,115,559)
At 30th June, 2003	883,000,000	12,074,815,500	335,091,650	13,292,907,150

The investment properties of the Group located in Hong Kong and in Singapore are stated at independent professional valuations on an open market value basis at 30th June, 2003 given by Chesterton Petty Limited and Knight Frank Pte. Ltd., Chartered Surveyors, respectively. The net deficit on revaluation has been charged to the investment property revaluation reserve.

16. HOTEL PROPERTY

	Hotel property in Singapore held under a long lease <i>HK\$</i>
THE GROUP	
COST	
At 1st July, 2002	1,154,228,706
Additions	24,349,375
At 30th June, 2003	1,178,578,081

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

17. PROPERTY, PLANT AND EQUIPMENT

	Computer systems HK\$	Furniture, fixtures and equipment HK\$	Leasehold improvements HK\$	Motor vehicles HK\$	Plant and machinery HK\$	Total HK\$
THE GROUP						
COST						
At 1st July, 2002	36,291,442	68,632,933	18,590,069	12,136,851	5,998,708	141,650,003
Additions	2,118,485	3,533,047	199,201	1,462,311	1,203,290	8,516,334
Disposals	(4,440)	(252,318)	—	(513,648)	(814,564)	(1,584,970)
At 30th June, 2003	38,405,487	71,913,662	18,789,270	13,085,514	6,387,434	148,581,367
DEPRECIATION						
At 1st July, 2002	19,512,309	13,417,916	14,862,487	9,003,095	4,632,934	61,428,741
Provided for the year	6,005,648	7,423,952	1,294,206	1,103,985	851,051	16,678,842
Eliminated on disposals	(2,738)	(80,023)	—	(513,647)	(758,592)	(1,355,000)
At 30th June, 2003	25,515,219	20,761,845	16,156,693	9,593,433	4,725,393	76,752,583
NET BOOK VALUES						
At 30th June, 2003	12,890,268	51,151,817	2,632,577	3,492,081	1,662,041	71,828,784
At 30th June, 2002	16,779,133	55,215,017	3,727,582	3,133,756	1,365,774	80,221,262

18. INTERESTS IN SUBSIDIARIES

	THE COMPANY	
	2003	2002
	HK\$	HK\$
At cost, less impairment losses recognised	90,612,522	41,698,663
Advances to subsidiaries, less allowances	22,116,970,480	21,770,448,440
	22,207,583,002	21,812,147,103

The advances to subsidiaries are unsecured and have no fixed repayment terms. Of the advances, HK\$12,426,176,217 (2002: HK\$10,455,597,001) bears interest at prevailing market rates and the remaining balance is interest-free. In the opinion of the Directors, the Company will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

The carrying amount of the investments in subsidiaries is reduced to their recoverable amounts which is determined by reference to the carrying value of the underlying assets of the respective subsidiaries.

Particulars of the Company's principal subsidiaries at 30th June, 2003 are set out in note 44.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

19. INTERESTS IN ASSOCIATES

	THE COMPANY		THE GROUP	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Unlisted shares, at cost	516,687,714	516,687,715	—	—
Share of net assets	—	—	1,713,830,454	2,563,270,441
Goodwill (Note)	—	—	120,828,352	130,122,840
Negative goodwill (Note)	—	—	(94,875,344)	(100,003,741)
	<u>516,687,714</u>	<u>516,687,715</u>	<u>1,739,783,462</u>	<u>2,593,389,540</u>
Advances to associates, less allowances	76,520,443	74,713,506	9,378,940,346	9,219,884,594
	<u>593,208,157</u>	<u>591,401,221</u>	<u>11,118,723,808</u>	<u>11,813,274,134</u>

Note:

	THE GROUP	
	Goodwill HK\$	Negative goodwill HK\$
GROSS AMOUNT		
At 1st July, 2002 and 30th June, 2003	<u>185,889,768</u>	<u>(102,567,940)</u>
AMORTISATION		
At 1st July, 2002	55,766,928	(2,564,199)
Charged for the year	9,294,488	—
Released for the year	—	(5,128,397)
At 30th June, 2003	<u>65,061,416</u>	<u>(7,692,596)</u>
CARRYING AMOUNTS		
At 30th June, 2003	<u>120,828,352</u>	<u>(94,875,344)</u>
At 30th June, 2002	<u>130,122,840</u>	<u>(100,003,741)</u>

The amortisation period adopted for goodwill and negative goodwill is twenty years.

The investment properties of the Group's principal associates were valued at independent professional valuations on an open market value basis at 30th June, 2003 given by Chesterton Petty Limited and Debenham Tie Leung, Chartered Surveyors. The carrying value shown above includes the Group's attributable share of the revaluation reserve.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

19. INTERESTS IN ASSOCIATES (Continued)

The advances to associates are unsecured and have no fixed repayment terms. Of the Group's advances, HK\$1,924,961,754 (2002: HK\$1,659,828,988) bears interest at prevailing market rates and the remaining balance is interest-free. The advances to associates of the Company are interest-free. In the opinion of the Directors, the Group will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

Particulars of the principal associates at 30th June, 2003 are set out in note 45.

Information in respect of the operating results and financial position of the Group's significant associates, which have been extracted from the audited consolidated financial statements of Million Success Limited and the audited financial statements of Greenroll Limited which have been adjusted to conform with the Group's accounting policies, are summarised as follows:

	Million Success Limited		Greenroll Limited	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Results for the year				
Turnover	<u>209,303,037</u>	<u>229,543,271</u>	<u>370,144,000</u>	<u>425,228,000</u>
Profit from ordinary activities before taxation	<u>87,264,694</u>	<u>256,554,765</u>	<u>99,690,000</u>	<u>142,945,000</u>
Profit from ordinary activities before taxation attributable to the Group	<u>21,816,174</u>	<u>64,138,691</u>	<u>29,907,000</u>	<u>42,883,500</u>
Financial position				
Non-current assets	<u>10,938,919,541</u>	<u>11,615,399,768</u>	<u>3,380,422,000</u>	<u>3,370,582,000</u>
Current assets	<u>301,628,135</u>	<u>321,675,267</u>	<u>93,864,000</u>	<u>133,890,000</u>
Current liabilities	<u>(215,747,054)</u>	<u>(262,972,636)</u>	<u>(126,511,000)</u>	<u>(139,872,000)</u>
	<u>85,881,081</u>	<u>58,702,631</u>	<u>(32,647,000)</u>	<u>(5,982,000)</u>
Non-current liabilities	<u>(5,739,938,620)</u>	<u>(5,788,336,755)</u>	<u>(787,100,000)</u>	<u>(892,104,000)</u>
Net assets	<u>5,284,862,002</u>	<u>5,885,765,644</u>	<u>2,560,675,000</u>	<u>2,472,496,000</u>
Net assets attributable to the Group	<u>1,321,215,501</u>	<u>1,471,441,411</u>	<u>768,202,500</u>	<u>741,748,800</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

19. INTERESTS IN ASSOCIATES (Continued)

The Inland Revenue Department (the “IRD”) initiated tax inquiries for the years of assessment 1994/95 to 2001/02 on a wholly-owned subsidiary, Wide Harvest Investment Limited (“WHI”), of the Group’s associate, Million Success Limited (“MSL”) and for the years of assessment 1994/95 to 1997/98 on a wholly-owned subsidiary, Murdoch Investments Inc. (“MII”), of the Group’s associate, Erleigh Investment Limited. Notices of assessment for additional tax in the aggregate amounts of approximately HK\$406,000,000 and HK\$33,000,000 were issued to WHI and MII for the years under review, respectively, and objections were properly lodged with the IRD by WHI and MII. The effective share of the amount attributable to the Group as at 30th June, 2003 is estimated to be approximately HK\$102,000,000 and HK\$15,000,000, respectively. In view of the tax inquiries are still at the stage of collation of evidence, the management of WHI and of MII are of the opinion that the ultimate outcome of the tax inquiries, which may not be known for some years, cannot presently be determined with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of WHI and of MII.

The Directors of the Company have taken note of the above matters and have made due inquiries. Nothing has come to the attention of the Board of Directors of the Company which indicates that there has been material subsequent development or change in status in respect of the above matters.

20. INVESTMENTS IN SECURITIES

THE COMPANY

	Trading securities		Other securities		Total	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Equity securities:						
Listed	360,227,955	483,776,879	669,987,264	594,678,630	1,030,215,219	1,078,455,509
Unlisted	—	—	19,949,305	19,949,305	19,949,305	19,949,305
	360,227,955	483,776,879	689,936,569	614,627,935	1,050,164,524	1,098,404,814
Total:						
Listed						
Hong Kong	360,205,485	483,754,214	366,050,980	378,371,637	726,256,465	862,125,851
Elsewhere	22,470	22,665	303,936,284	216,306,993	303,958,754	216,329,658
Unlisted	—	—	19,949,305	19,949,305	19,949,305	19,949,305
	360,227,955	483,776,879	689,936,569	614,627,935	1,050,164,524	1,098,404,814
Market value of listed securities	360,227,955	483,776,879	669,987,264	594,678,630	1,030,215,219	1,078,455,509
Carrying value analysed for reporting purposes as:						
Current	360,227,955	483,776,879	—	—	360,227,955	483,776,879
Non-current	—	—	689,936,569	614,627,935	689,936,569	614,627,935
	360,227,955	483,776,879	689,936,569	614,627,935	1,050,164,524	1,098,404,814

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

20. INVESTMENTS IN SECURITIES (Continued)

THE GROUP

	Trading securities		Other securities		Total	
	2003	2002	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$	HK\$	HK\$
Equity securities:						
Listed	361,634,955	485,726,879	936,495,675	735,659,096	1,298,130,630	1,221,385,975
Unlisted	—	—	66,918,469	99,545,135	66,918,469	99,545,135
	361,634,955	485,726,879	1,003,414,144	835,204,231	1,365,049,099	1,320,931,110
Total:						
Listed						
Hong Kong	361,612,485	485,704,214	571,552,122	466,650,799	933,164,607	952,355,013
Elsewhere	22,470	22,665	364,943,553	269,008,297	364,966,023	269,030,962
Unlisted	—	—	66,918,469	99,545,135	66,918,469	99,545,135
	361,634,955	485,726,879	1,003,414,144	835,204,231	1,365,049,099	1,320,931,110
Market value of listed securities	361,634,955	485,726,879	936,495,675	735,659,096	1,298,130,630	1,221,385,975
Carrying value analysed for reporting purposes as:						
Current	361,634,955	485,726,879	—	—	361,634,955	485,726,879
Non-current	—	—	1,003,414,144	835,204,231	1,003,414,144	835,204,231
	361,634,955	485,726,879	1,003,414,144	835,204,231	1,365,049,099	1,320,931,110

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

21. ADVANCES TO INVESTEE COMPANIES

The advances to investee companies of the Group are unsecured and have no fixed repayment terms. Of the advances, HK\$22,175,697 (2002: HK\$18,209,914) bears interest at prevailing market rates and the remaining balance is interest-free. In the opinion of the Directors, the Group will not demand for repayment within twelve months from the balance sheet date and the advances are therefore shown as non-current.

22. LONG-TERM LOANS RECEIVABLE

	THE GROUP	
	2003	2002
	HK\$	HK\$
Total loans receivable	595,682,276	718,173,792
Less: Current portion shown under current assets	(22,097,946)	(25,558,437)
	<u>573,584,330</u>	<u>692,615,355</u>

The Group offers loans to buyers of properties sold by the Group and the repayment of the loans is specified in the respective loan agreements.

23. STOCKS OF UNSOLD PROPERTIES

The amount of stocks of unsold properties of the Group carried at net realisable value is HK\$263,338,168 (2002: HK\$51,914,313).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

24. ACCOUNTS AND OTHER RECEIVABLES

Included in accounts and other receivables are trade receivables of HK\$404,488,915 (2002: HK\$110,246,363) mainly comprising sales proceeds receivables and rental receivables which are billed in advance and settlements are expected upon receipt of billings.

The following is an aged analysis of trade receivables at the reporting date:

	THE GROUP	
	2003	2002
	HK\$	HK\$
0 – 30 days	343,569,680	51,044,761
31 – 60 days	10,672,402	5,175,369
61 – 90 days	8,474,451	4,053,142
Over 90 days	41,772,382	49,973,091
	<u>404,488,915</u>	<u>110,246,363</u>

Trade receivables over 90 days amounting to HK\$41,772,382 (2002: HK\$49,973,091) are sufficiently covered by rental deposits received from the respective tenants and no allowance is required for these receivables under the Group's allowance policy.

25. ACCOUNTS AND OTHER PAYABLES

Included in accounts and other payables are trade payables of HK\$97,654,470 (2002: HK\$102,519,775).

The following is an aged analysis of trade payables at the reporting date:

	THE GROUP	
	2003	2002
	HK\$	HK\$
0 – 30 days	35,316,475	56,781,885
31 – 60 days	9,028,714	27,050,075
61 – 90 days	799,531	2,287,755
Over 90 days	52,509,750	16,400,060
	<u>97,654,470</u>	<u>102,519,775</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

26. LONG-TERM BORROWINGS

	THE GROUP	
	2003	2002
	HK\$	HK\$
Unsecured bank loans		
Within one year	13,100,640	31,198,800
More than one year but not exceeding two years	13,100,640	187,192,800
More than two years but not exceeding five years	82,970,720	—
	109,172,000	218,391,600
Less: Current portion shown under current liabilities	(13,100,640)	(31,198,800)
	96,071,360	187,192,800
Secured bank loans		
Within one year	277,753,200	237,664,400
More than one year but not exceeding two years	1,858,747,765	492,664,400
More than two years but not exceeding five years	3,854,966,300	2,984,531,565
	5,991,467,265	3,714,860,365
Less: Current portion shown under current liabilities	(277,753,200)	(237,664,400)
	5,713,714,065	3,477,195,965
Secured other loans		
More than two years but not exceeding five years	—	1,814,889,000
Unsecured other loans		
Within one year	300,000,000	—
More than one year but not exceeding two years	300,000,000	—
More than two years but not exceeding five years	750,000,000	1,000,000,000
	1,350,000,000	1,000,000,000
Less: Current portion shown under current liabilities	(300,000,000)	—
	1,050,000,000	1,000,000,000
Total bank and other loans	6,859,785,425	6,479,277,765
Less: Deferred loan arrangement fees <i>(Note 27)</i>	(18,695,841)	(36,758,718)
	6,841,089,584	6,442,519,047
Convertible notes <i>(Note 28)</i>	1,489,378,714	1,465,155,655
	8,330,468,298	7,907,674,702

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

26. LONG-TERM BORROWINGS (Continued)

The Company does not have any long-term borrowings at the balance sheet date.

At 30th June, 2003, other unsecured loan of the Group in amount of HK\$1,350,000,000 bears interest at prevailing market rate and is repayable by instalments over a period of three years (2002: other unsecured loan of HK\$1,000,000,000 bore interest at prevailing market rate and was repayable over two but not exceeding five years).

At 30th June, 2002, secured other loan of the Group in amount of HK\$1,814,889,000 bore interest at prevailing market rate and was fully repaid during the year.

27. DEFERRED LOAN ARRANGEMENT FEES

	THE GROUP	
	2003	2002
	HK\$	HK\$
COST		
At 1st July	90,311,612	79,474,348
Additions	9,621,667	10,837,264
Write-off upon early repayment of loans	(42,232,017)	—
	<hr/>	<hr/>
At 30th June	57,701,262	90,311,612
AMORTISATION		
At 1st July	53,552,894	31,521,164
Provided for the year	20,094,129	22,031,730
Eliminated upon early repayment of loans	(34,641,602)	—
	<hr/>	<hr/>
At 30th June	39,005,421	53,552,894
	<hr/>	<hr/>
Deferred loan arrangement fees at 30th June	18,695,841	36,758,718
	<hr/>	<hr/>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

28. CONVERTIBLE NOTES

	THE COMPANY		THE GROUP	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
Principal amount:				
At 1st July	—	891,909,900	1,500,000,000	891,909,900
New issue	—	—	—	1,500,000,000
Redemption	—	(891,909,900)	—	(891,909,900)
At 30th June	—	—	1,500,000,000	1,500,000,000
Add: Provision for premium on redemption				
At 1st July	—	230,441,691	1,877,014	230,441,691
Provided for during the year	—	—	16,710,000	47,927,392
Written back upon redemption	—	(230,441,691)	—	(276,492,069)
At 30th June	—	—	18,587,014	1,877,014
Less: Issue costs				
At 1st July	—	—	36,721,359	4,721,134
Additions	—	—	—	37,565,291
Amortised during the year including amounts written back upon redemption	—	—	(7,513,059)	(5,565,066)
At 30th June	—	—	29,208,300	36,721,359
Carrying value at 30th June	—	—	1,489,378,714	1,465,155,655

In 2002, a wholly-owned subsidiary of the Company, Golden Million Finance Corporation (“Golden Million”), issued HK\$1,500,000,000 3.75% guaranteed convertible notes due in May 2007 (“2007 Notes”). The 2007 Notes carry a right to convert at any time from 20th June, 2002 to 14th May, 2007 into ordinary shares of the Company at an initial conversion price of HK\$4.00 per share (subject to adjustment). All or some of the 2007 Notes are redeemable at the option of the relevant holder at a premium of 3.184% of their outstanding principal amount on 21st May, 2005. Golden Million may redeem all or some of the 2007 Notes at any time during the period from 21st May, 2004 to 21st May, 2007, both dates inclusive, upon satisfying certain requirements. The 2007 Notes are redeemable at a premium of 5.57% of their outstanding principal amount on 21st May, 2007.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

29. SHARE CAPITAL

	2003		2002	
	Number of ordinary shares of HK\$1.00 each	Nominal value HK\$	Number of ordinary shares of HK\$1.00 each	Nominal value HK\$
Authorised:				
At 1st July and at 30th June	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>	<u>6,000,000,000</u>
Issued and fully paid:				
At 1st July	3,874,211,830	3,874,211,830	3,860,583,211	3,860,583,211
Issued in lieu of cash dividend	51,548,450	51,548,450	37,928,619	37,928,619
Cancellation upon repurchase of own shares	<u>(39,426,000)</u>	<u>(39,426,000)</u>	<u>(24,300,000)</u>	<u>(24,300,000)</u>
At 30th June	<u>3,886,334,280</u>	<u>3,886,334,280</u>	<u>3,874,211,830</u>	<u>3,874,211,830</u>

During the year, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 39,426,000 ordinary shares of HK\$1.00 each of the Company at an aggregate consideration of HK\$90,262,382, all of these shares were subsequently cancelled. The nominal value of the cancelled shares was credited to the capital redemption reserve and the aggregate consideration was paid out of the retained profits.

On 16th December, 2002 and 20th May, 2003, the Company issued and allotted a total of 20,592,195 shares and 30,956,255 shares of HK\$1.00 each at an issue price of HK\$2.725 and HK\$2.07 each, respectively, in lieu of cash for the 2002 final and 2003 interim dividends pursuant to the scrip dividend circulars dispatched to shareholders on 14th November, 2002 and 17th April, 2003, respectively. These shares rank pari passu in all respects with the existing shares.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

30. SHARE PREMIUM AND RESERVES

	Share Premium <i>HK\$</i>	Other Security revaluation reserve <i>HK\$</i>	Capital redemption reserve <i>HK\$</i>	Retained profits <i>HK\$</i>	Total <i>HK\$</i>
THE COMPANY					
At 1st July, 2001	9,211,395,816	(54,178,664)	100,520,000	10,409,418,204	19,667,155,356
Premium on issue of shares					
upon scrip dividend	71,842,692	—	—	—	71,842,692
Shares issue expenses	(60,100)	—	—	—	(60,100)
Cancellation upon repurchase					
of own shares	—	—	24,300,000	(57,599,045)	(33,299,045)
Surplus on revaluation	—	19,469,449	—	—	19,469,449
Net profit for the year	—	—	—	142,855,800	142,855,800
Final dividend – 2001	—	—	—	(76,821,664)	(76,821,664)
Interim dividend – 2002	—	—	—	(77,151,732)	(77,151,732)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2002 and 1st July, 2002	9,283,178,408	(34,709,215)	124,820,000	10,340,701,563	19,713,990,756
Premium on issue of shares					
upon scrip dividend	68,644,731	—	—	—	68,644,731
Shares issue expenses	(260,100)	—	—	—	(260,100)
Cancellation upon repurchase					
of own shares	—	—	39,426,000	(90,262,382)	(50,836,382)
Impairment loss charged to					
income statement	—	13,500,000	—	—	13,500,000
Surplus on revaluation	—	62,883,155	—	—	62,883,155
Net profit for the year	—	—	—	97,406,425	97,406,425
Final dividend – 2002	—	—	—	(77,288,637)	(77,288,637)
Interim dividend – 2003	—	—	—	(77,369,560)	(77,369,560)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 30th June, 2003	9,351,563,039	41,673,940	164,246,000	10,193,187,409	19,750,670,388

Note: The reserve available for distribution by the Company to the shareholders at 30th June, 2003 is HK\$10,193,187,409 (2002: HK\$10,340,701,563).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

31. ADVANCES FROM SUBSIDIARIES

The advances from subsidiaries of the Company are unsecured, interest-free and have no fixed repayment terms. The advances will not be repayable within twelve months from the balance sheet date and the advances are therefore shown as non-current.

32. ADVANCES FROM ASSOCIATES

The advances from associates of the Group and the Company are unsecured and have no fixed repayment terms. Of the advances from associates of the Group, HK\$383,086,114 (2002: HK\$244,909,786) bears interest at prevailing market rates and the remaining balance is interest-free. The advances will not be repayable within twelve months from the balance sheet date and the advances are therefore shown as non-current.

The advances from associates of the Company were interest free and were fully repaid during the year.

33. ADVANCES FROM INVESTEE COMPANIES

The advances from investee companies of the Group are unsecured, interest-free and have no fixed repayment terms. The advances will not be repayable within twelve months from the balance sheet date and the advances are therefore shown as non-current.

34. ADVANCES FROM MINORITY SHAREHOLDERS

The advances from minority shareholders of the Group are unsecured, bear interest at cost of funds plus a margin and have no fixed repayment terms. The advances will not be repayable within twelve months from the balance sheet date and the advances are therefore shown as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

35. DEFERRED TAXATION

At the balance sheet date, the major components of the unrecognised deferred tax assets are analysed as follows:

	THE COMPANY		THE GROUP	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences attributable to:				
Unutilised tax losses	179,929,000	181,038,000	416,481,000	381,309,000
Excess of tax allowances over depreciation	—	—	(1,564,000)	(1,737,000)
Other timing differences	—	—	(890,000)	(11,757,000)
	<u>179,929,000</u>	<u>181,038,000</u>	<u>414,027,000</u>	<u>367,815,000</u>

No deferred tax asset has been recognised in the financial statements as it is not certain that the asset will be realised in the foreseeable future.

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

	THE COMPANY		THE GROUP	
	2003	2002	2003	2002
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences attributable to:				
Tax losses (utilised) arising	(18,081,000)	(4,612,000)	(576,000)	51,819,000
Difference between tax allowances and depreciation	—	—	336,000	518,000
Other timing differences	—	—	11,969,000	(3,330,000)
Effect of change in tax rate	16,972,000	—	34,483,000	—
	<u>(1,109,000)</u>	<u>(4,612,000)</u>	<u>46,212,000</u>	<u>49,007,000</u>

No deferred taxation is provided on the surplus on the revaluation of investment properties situated in Hong Kong as future profits arising on the disposal of these assets would not be subject to taxation. The revaluation surplus therefore does not constitute a timing difference for taxation purpose.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

36. ACQUISITION OF A SUBSIDIARY

On 26th June, 2003, the Group acquired the entire equity interest in Jade Bird Development Limited at a consideration of HK\$100,000.

The acquisition has been accounted for using the acquisition method and particulars of the acquisition are:

	2003 HK\$	2002 HK\$
Net assets acquired		
Investment properties	11,000,000	97,000,000
Stocks of unsold properties	84,000,000	—
Accounts and other receivables	988,249	1,669,892
Bank balances and cash	222,321	1,658,545
Accounts and other payables	(3,345,160)	(3,769,660)
Unsecured loan payable	(92,765,410)	(96,558,776)
	<u>100,000</u>	<u>1</u>
Satisfied by		
Cash	<u>100,000</u>	<u>1</u>
Net cash inflow arising on acquisition		
Cash consideration	(100,000)	(1)
Bank balances and cash acquired	222,321	1,658,545
	<u>122,321</u>	<u>1,658,544</u>

The subsidiary acquired during the year did not contribute significantly to the turnover, operating results or cash flows of the Group.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

37. DISPOSAL OF SUBSIDIARIES

	2003 HK\$	2002 HK\$
Net assets disposed of		
Investment properties	—	28,000,000
Interests in associates	—	32,599,728
Accounts and other receivables	—	656,446
Bank balances and cash	—	2,346,640
Accounts and other payables	—	(9,377,809)
Taxation payable	—	(296,839)
Minority interests	—	(8,526,989)
	<hr/>	<hr/>
	—	45,401,177
Investment property revaluation reserve released upon disposal	—	(12,712,419)
Profit on disposal of subsidiaries	—	12,712,419
	<hr/>	<hr/>
	—	45,401,177
	<hr/>	<hr/>
Satisfied by		
Cash	—	45,401,177
	<hr/>	<hr/>
Net cash inflow arising on disposal		
Cash received	—	45,401,177
Bank balances and cash disposed of	—	(2,346,640)
	<hr/>	<hr/>
	—	43,054,537
	<hr/>	<hr/>

The subsidiaries disposed of during the year ended 30th June, 2002 did not contribute significantly to the turnover, operating results or cash flows of the Group.

38. MAJOR NON-CASH TRANSACTIONS

During the year, properties under development of HK\$164,235,090 (2002: HK\$493,574,677) and HK\$2,526,157,276 (2002: Nil) were transferred to investment properties and stocks of unsold properties, respectively.

On 16th December, 2002 and 20th May, 2003, the Company issued and allotted a total of 20,592,195 shares and 30,956,255 shares of HK\$2.725 and HK\$2.07 each, respectively, in lieu of cash for the 2002 final and 2003 interim dividends pursuant to the scrip dividend circulars dispatched to the shareholders.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

39. PLEDGE OF ASSETS

- (a) At 30th June, 2003, the aggregate facilities of bank loans, overdrafts and other loans amounting to HK\$12,616,308,971 (2002: HK\$7,986,797,050) were secured by certain of the Group's listed investments, properties, bank deposits and bank balances. At that date, the facilities were utilised to the extent of HK\$6,805,030,371 (2002: HK\$6,134,794,150).
- (b) At 30th June, 2003, investments and the benefits in the advances to certain associates were pledged or assigned to secure loan facilities made available by banks or financial institutions to such associates. The Group's attributable portion of these facilities amounted to HK\$3,952,733,333 (2002: HK\$3,246,286,070), of which HK\$2,894,146,090 (2002: HK\$2,290,321,403) was utilised and was guaranteed by the Company.

40. COMMITMENTS AND CONTINGENT LIABILITIES

At the balance sheet date, the Company and the Group had the following commitments and contingent liabilities not provided for in the financial statements:

	THE COMPANY		THE GROUP	
	2003 HK\$	2002 HK\$	2003 HK\$	2002 HK\$
(a) Commitments in respect of property development expenditure:				
Authorised but not contracted for	—	—	1,184,813,547	101,831,529
Contracted but not provided for	—	—	973,447,137	2,582,818,009
	<u>—</u>	<u>—</u>	<u>2,158,260,684</u>	<u>2,684,649,538</u>
(b) Guarantees in respect of banking facilities and other liabilities of:				
Subsidiaries				
Utilised	9,572,286,964	6,628,977,786	—	—
Not utilised	6,299,842,600	2,374,365,100	—	—
	<u>15,872,129,564</u>	<u>9,003,342,886</u>	<u>—</u>	<u>—</u>
Associates				
Utilised	2,894,146,090	2,293,486,403	2,894,146,090	2,293,486,403
Not utilised	1,061,092,243	955,964,667	1,061,092,243	955,964,667
	<u>3,955,238,333</u>	<u>3,249,451,070</u>	<u>3,955,238,333</u>	<u>3,249,451,070</u>
	<u>19,827,367,897</u>	<u>12,252,793,956</u>	<u>3,955,238,333</u>	<u>3,249,451,070</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

40. COMMITMENTS AND CONTINGENT LIABILITIES *(Continued)*

- (c) On 30th June, 1998, the Company and its wholly-owned subsidiary, Mariner International Hotels Limited ("Mariner") terminated a sale and purchase agreement (the "Agreement") entered into by the Company and Mariner on 19th December, 1996 with Hang Lung Development Company Limited ("Hang Lung") and Atlas Limited ("Atlas") which is now the subject of litigation between the parties. The Agreement was in relation to the acquisition of a company which owns a property in Yau Kom Tau, Tsuen Wan, New Territories which was to be developed into a hotel. The total consideration payable by Mariner for the purchase was HK\$1,070,000,000, in respect of which a deposit and part payments in the total sum of HK\$321,000,000 have been paid by Mariner.

On the day of and immediately following the termination of the Agreement by Mariner and the Company, Mariner issued a writ against Hang Lung and Atlas claiming, inter alia, the return of the deposit paid and part payments made in the total sum of HK\$321,000,000 and damages for breach of contract. Mariner continues to pursue its claims vigorously. Legal proceedings have also been commenced by Atlas against Mariner and the Company by way of counter claim seeking, inter alia, damages in respect of the termination of the Agreement and forfeiture of the above deposit and part payments totalling HK\$321,000,000 made by Mariner under the Agreement.

Pleadings in the actions have now been closed and both parties are seeking the discovery and inspection of specific documents. For the year ended 30th June, 2003, there is no material progress or discovery in the case and, accordingly, the Directors are of the opinion that it is unlikely that there will be a conclusion to the case within a short period of time. Mariner will vigorously contest its claim and the counterclaim against it and accordingly, no allowance in respect of the deposit or provision for any contingent liabilities have been made for the year ended 30th June, 2003.

- (d) The IRD initiated tax inquiries for the years of assessment 1995/96 and 1996/97 on a wholly-owned subsidiary, Sing-Ho Finance Company Limited ("Sing-Ho Finance"). Notices of assessment for additional tax in an aggregate sum of approximately HK\$60,000,000 were issued to Sing-Ho Finance for the years under review and objections were properly lodged with the IRD by Sing-Ho Finance. In the opinion of the Directors, in view of the tax inquiries are still at the facts finding stage and such process is likely to continue for some time, the ultimate outcome of the tax inquiries, which may not be known for some years, cannot presently be determined by the management of Sing-Ho Finance with an acceptable degree of reliability, and accordingly, no provision for any liabilities that may result has been made in the financial statements of Sing-Ho Finance.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

41. OPERATING LEASE ARRANGEMENTS

The Group as lessor

Property rental income earned during the year, net of outgoings of HK\$100,367,039 (2002: HK\$100,463,602), was HK\$729,926,070 (2002: HK\$731,017,864). Most of the properties held have committed tenants with rental fixed for an average term of two years.

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

	2003 HK\$	2002 HK\$
Within one year	583,954,180	578,491,531
In the second to fifth year inclusive	576,630,421	739,804,481
After five years	60,000	21,655,730
	<u>1,160,644,601</u>	<u>1,339,951,742</u>

42. RETIREMENT BENEFITS SCHEME

The Group participates in a MPF Scheme for all qualifying employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Scheme Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. The only obligation of the Group with respect to MPF Scheme is to make the required contributions under the scheme. No forfeited contribution is available to reduce the contribution payable in the future years.

The retirement benefit scheme contributions arising from the MPF Scheme charged to the income statement represent contributions payable to the funds by the Group at rates specified in the rules of the scheme.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

43. RELATED PARTY TRANSACTIONS

In the ordinary course of business, the Group had the following transactions with related parties:

	2003 HK\$	2002 HK\$
(a) Related companies		
Service fees received therefrom (Note 1)	1,505,789	1,656,000
Management fees received therefrom (Note 1)	<u>640,914</u>	<u>698,630</u>

Mr. Robert Ng Chee Siong, Director of the Company, was interested in these transactions as a director of the above mentioned related parties.

(b) Associates

Management fees received therefrom (Note 1)	17,679,215	15,128,093
Management fees paid thereto (Note 1)	7,488,675	9,451,249
Interest income received therefrom (Note 2)	63,939,858	84,176,147
Interest expenses paid thereto (Note 2)	<u>7,068,668</u>	<u>27,788,136</u>

(c) Acquisition of Shares and Taking up of a Loan

On 26th June, 2003, the Company's wholly-owned subsidiaries, King Chance Development Limited ("King Chance") and Sing-Ho Finance Company Limited ("Sing-Ho Finance"), entered into respective agreements with Millwood Limited ("Millwood") and Cliveden Finance Company Limited ("Cliveden Finance"). Pursuant to such agreements, inter alia, (a) King Chance agreed to acquire 100,000 shares, representing 100% of the issued shares, of Jade Bird Development Limited ("Jade Bird") which holds 100% interest in Cambridge Plaza, an industrial building, from Millwood at a consideration of HK\$100,000, and (b) Sing-Ho Finance agreed to take up the assignment from Cliveden Finance of a loan in the amount of HK\$104,817,784 due by Jade Bird to Cliveden Finance at a consideration of HK\$92,568,458, in each case subject to adjustment by reference to the post-completion audited accounts. Completion took place on 26th June, 2003.

Millwood and Cliveden Finance are both indirect wholly-owned subsidiaries of Boswell Holdings Limited ("Boswell"), in which Mr. Robert Ng Chee Siong, the Chairman and Executive Director of the Company, has a 50% interest. Boswell is an associate of Mr. Ng, and therefore, a connected party to the Company under the Listing Rules.

The Company has substantial experience and expertise in managing industrial buildings. The acquisition of shares and taking up of a loan enable the Company to hold the entire interest in Cambridge Plaza, providing an opportunity for the Company to maximise and capitalise on the value of such property.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

43. RELATED PARTY TRANSACTIONS *(Continued)*

(d) Share Disposal and Loan Assignment

On 26th June, 2003, the Company and Sing-Ho Finance entered into respective agreements with Erleigh Property Limited ("Erleigh") and Seaview Finance Company Limited ("Seaview Finance"). Pursuant to such agreements, inter alia, (a) the Company agreed to sell one share, representing 50% of the issued shares, of Kotachi Limited ("Kotachi") which holds 100% interest in Pacific Trade Centre, an industrial building, to Erleigh at a consideration of HK\$30,755,779; and (b) Sing-Ho Finance agreed to assign to Seaview Finance a loan in the amount of HK\$61,921,021 due by Kotachi to Sing-Ho Finance on a dollar-for-dollar basis, in each case subject to adjustment by reference to the post-completion audited accounts. Completion took place on 26th June, 2003.

Seaview Finance and Erleigh are both indirect wholly-owned subsidiaries of Boswell.

Since the Company did not have a controlling interest in the industrial property of Pacific Trade Centre, further capitalisation on the value of this property would be limited. The share disposal and loan assignment as mentioned above allow the Company to divest its interest in Pacific Trade Centre.

The Directors consider the above acquisition and disposal of shares and taking up and assignment of loans enable the Company to enhance the control over its industrial property portfolio.

- (e) During the year, the Group made advances totalling HK\$40,329,706 to Firm Wise Investment Limited ("Firm Wise"), a 70% owned subsidiary of the Company, to finance the operating cost of the property, the Centrium. The advances are unsecured, bear interest at cost of funds plus a margin and have no fixed repayment terms. The advances made are proportional to the shareholding interest of the Group in Firm Wise, the remaining share interests in which are held by an independent third party which is connected to the Group only through its substantial shareholding in Firm Wise.
- (f) During the year, the Group made advances totalling HK\$529,761,006 to Grand Creator Investment (BVI) Limited ("Grand Creator"), a 60% owned subsidiary of the Company, to finance the loan on-lent to Grand Creator's wholly-owned subsidiary, Grand Creator Investment Limited. The loan is to finance the development cost of MTR Hang Hau Station development. The advances are unsecured, bear interest at cost of funds plus a margin and have no fixed repayment terms. The advances made are proportional to the shareholding interest of the Group in Grand Creator, the remaining share interests in which are held by an independent third party which is connected to the Group only through its substantial shareholding in Grand Creator.

Details of the balances with associates at the balance sheet date are set out in the balance sheets and in notes 19 and 32.

Notes:

- (1) Service and management fees were charged on a cost-plus-profit margin basis agreed between the Group and the related party.
- (2) Interest income and expenses were charged at cost of funds plus margin basis.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

44. PRINCIPAL SUBSIDIARIES

The Directors are of the opinion that a complete list of the particulars of all subsidiaries will be of excessive length and therefore the following list contains only the particulars of subsidiaries at 30th June, 2003, which materially affect the results or assets and liabilities of the Group.

A complete list of all the subsidiaries will be annexed to the Company's next annual return.

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
Direct:					
Best Result Cleaning Services Limited	Hong Kong	Ordinary	HK\$2	100	Cleaning services
Fu King Investment Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Investment holding
Glorypark Limited	Hong Kong	Ordinary	HK\$1,000	100	Property investment
Golden Million Finance Corporation	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Financing
King Chance Development Limited	Hong Kong	Ordinary	HK\$2	100	Investment holding
Landscape Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Prime Reward Finance Limited	Hong Kong	Ordinary	HK\$2	100	Financing
Serenity Park Building Management Limited	Hong Kong	Ordinary	HK\$10	60	Building management
Sharp Rise Company Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Sing-Ho Finance Company Limited	Hong Kong	Ordinary	HK\$30,000,000	100	Financing
Sing-Ho Security Services Limited	Hong Kong	Ordinary	HK\$2	100	Security services

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Direct (Continued):</i>					
Sino Administration Services Limited	Hong Kong	Ordinary	HK\$3	100	Administration services
Sino Estates Management Limited	Hong Kong	Ordinary	HK\$2	100	Building management
Sino Estates Services Limited	Hong Kong	Ordinary	HK\$20	100	Building management
<i>Indirect:</i>					
Ackerley Estates Limited	Hong Kong	Ordinary	HK\$20,000,000	100	Property investment
Active Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Advance Profit Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Alfaso Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Allways Success Finance Limited	Hong Kong	Ordinary	HK\$10	60	Mortgage loan financing
Apex Speed Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Beauty Plaza Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Best Origin Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Better Sino Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Century Profit Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Cheer Result Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
e.Sino Company Limited	Hong Kong	Ordinary	HK\$2	100	Investment holding
Elegant Lane Limited	Hong Kong	Ordinary	HK\$2	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Direct (Continued):</i>					
Entertainment City Limited	Hong Kong	Ordinary	HK\$4,500,000	100	Property investment
Ever Champion Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Famous General Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Famous Palace Properties Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Firm Wise Investment Limited	Hong Kong	Ordinary	HK\$10	70	Property investment
Fo Tan Construction Consultant Limited	Hong Kong	Ordinary	HK\$2	100	Project management
Forlink Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Fortune Garden Inc.	Republic of Liberia/ Hong Kong	Registered/ Bearer	US\$1	100	Share investment
Free Champion Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Full Fair Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Fung Yuen Construction Company Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Building construction
Glenery Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Globaland Development Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Global Honest Finance Limited	Hong Kong	Ordinary	HK\$2	100	Mortgage loan financing

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Direct (Continued):</i>					
Golden Leaf Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Grand Creator Investment (BVI) Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$10	60	Investment holding
Grand Creator Investment Limited	Hong Kong	Ordinary	HK\$2	60	Property development
Grand Idea Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Grandeal Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Great Land (HK) Limited	Hong Kong	Ordinary	HK\$1,000,000	100	Property trading and investment
Handsome Lift Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Hang Hau Station (Project Management) Limited	Hong Kong	Ordinary	HK\$2	60	Project management
Hang Hau Station Construction Limited	Hong Kong	Ordinary	HK\$2	60	Building construction
Harvestrade Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment
Hickson Limited	Hong Kong	Ordinary	HK\$20	100	Property investment
High Elite Finance Limited	Hong Kong	Ordinary	HK\$2	100	Mortgage loan financing
High Elite Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Jade Bird Development Limited	Hong Kong	Ordinary	HK\$100,000	100	Property trading and investment

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2003

44. PRINCIPAL SUBSIDIARIES (Continued)

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Direct (Continued):</i>					
Jade Pine Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Jade Queen Properties	Hong Kong	Ordinary	HK\$2	100	Property investment
Kingdom Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Land Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Lucky Fortress Inc.	Republic of Liberia/ Hong Kong	Registered/ Bearer	US\$1	100	Share investment
Mackey Limited	Hong Kong	Ordinary	HK\$100	100	Property development
Mander Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Mass Success Limited	Hong Kong	Ordinary	HK\$1,000	55	Property trading
Morbest Profits Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Multipurpose Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment
Octerworth Enterprises Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Pacific Elite Limited	Hong Kong	Ordinary	HK\$2	100	Financing
Parason Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Peace Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Direct (Continued):</i>					
Perfect Sun Properties Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Pioneer Parking Limited	Hong Kong	Ordinary	HK\$2	100	Carpark operation
port88 Limited	Hong Kong	Ordinary	HK\$2	100	Internet services provider
Precious Land Pte. Limited	Singapore	Ordinary	S\$2	100	Property development
Precious Treasure Pte Ltd	Singapore	Ordinary	S\$20,000,000	100	Hotel operation and property investment
Pridegate (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Prime Harvest (Administration Services) Limited	Hong Kong	Ordinary	HK\$2	100	Consultant services provider
Prime Harvest Development Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Primewin Properties Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Rankchief Company Limited	Hong Kong	Ordinary	HK\$200	100	Property trading
Real Maker Development Limited	Hong Kong	Ordinary	HK\$200,000	90	Property investment
Regent Profit Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Region One Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Rich Tact International (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Direct (Continued):</i>					
Richtune Investment Limited	British Virgin Islands/ Hong Kong	Ordinary	US\$1	100	Share investment
Saky Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Salia Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Sidak Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property trading and investment
Silver Palm Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Sino Broadband Technology Limited	Hong Kong	Ordinary	HK\$2	100	Broadband infrastructure
Sino Estates Management (China) Limited	Hong Kong/ the PRC	Ordinary	HK\$2	100	Building management
Sino Land Finance Limited	Hong Kong	Ordinary	HK\$2	100	Deposit placing
Sino Land Investment (Holdings) Ltd.	Cayman Islands/ Hong Kong	Ordinary	US\$6,000,000	100	Investment holding
Sino Technology Corporation Limited	Hong Kong	Ordinary	HK\$2	100	High technology business
Standard Union Investment Limited	Hong Kong	Ordinary	HK\$2	100	Share investment
Success One Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Sunair Investment Company Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Sunny Force Limited	Hong Kong	Ordinary	HK\$2	100	Property investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

44. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of shares held	Issued share capital	Proportionate share of issued capital held by the Company %	Principal activities
<i>Direct (Continued):</i>					
Super One Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Sunrise Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Ten Treasure Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Thousand Growth Development Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Timeshare Development (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Trans China Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Triple Reach International (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
Union Development Limited	Hong Kong	Ordinary	HK\$2	100	Property development
Vasilon Pte Ltd	Singapore	Ordinary	S\$2	100	Investment holding
Weiland Development Company Limited	Hong Kong	Ordinary	HK\$33,140,000	100	Property investment
Wendia Limited	Hong Kong	Ordinary	HK\$20	100	Property investment
Wicorp Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
Will Glory Company (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
World Empire Investment (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment

Except for the convertible notes of a subsidiary as disclosed in note 28, none of the subsidiaries had any debt securities outstanding at the end of the year.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

45. PRINCIPAL ASSOCIATES

The Directors are of the opinion that a complete list of the particulars of all associates will be of excessive length and therefore the following list contains only the particulars of associates at 30th June, 2003, which materially affect the results of the year or form a substantial portion of the net assets of the Group.

A complete list of all the associates will be annexed to the Company's next annual return.

Name of associate	Place of incorporation/ operation	Class of shares held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Asian Success Investments Limited	Hong Kong	Ordinary	—	33.3	33.3	Property development
Astoria Estate Management Company Limited	Hong Kong	Ordinary	—	50	50	Building management
Benefit Bright Limited	Hong Kong	Ordinary	—	42.5	42.5	Property trading and investment
Better Chief Limited	Hong Kong	Ordinary	50	—	50	Property investment
Beverhill Limited	Hong Kong	Ordinary	—	20	20	Property investment
Boatswain Enterprises Limited	Hong Kong	Ordinary	—	20	20	Property investment
Brisbane Trading Company Limited	Hong Kong	Ordinary and non-voting deferred	—	50	50	Property development
Cheer City Properties Limited	Hong Kong	Ordinary	—	20	20	Property investment
C.H.K.C. Building Management Limited	Hong Kong	Ordinary	—	25	25	Building management
Cosmos Door Limited	Hong Kong	Ordinary	—	50	50	Property investment
Credit World Limited	Hong Kong	Ordinary	—	20	20	Property trading
Direct Win Development Limited	Hong Kong	Ordinary	—	33.3	33.3	Property development
Dramstar Company Limited	Hong Kong	Ordinary	—	22	22	Property trading
Empire Funds Limited	Hong Kong	Ordinary	—	50	50	Property trading
Eternal Honest Finance Company Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

45. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ operation	Class of shares held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Famous Empire Finance Limited	Hong Kong	Ordinary	—	40	40	Mortgage loan financing
Famous Empire Properties Limited	Hong Kong	Ordinary	—	40	40	Property trading and investment
Finedale Industries Limited	Hong Kong	Ordinary	—	33.3	33.3	Property investment
Gloryland Limited	Hong Kong	Ordinary	—	33.3	33.3	Property investment
Golden Famous International Limited	Hong Kong	Ordinary	—	25	25	Property development
Grace Sign Limited	Hong Kong	Ordinary	—	30	30	Property development
Grand Palisades Finance Company Limited	Hong Kong	Ordinary	—	20	20	Mortgage loan financing
Greenroll Limited	Hong Kong	Ordinary	—	30	30	Property investment
Harvest Sun Limited	Hong Kong	Ordinary	—	30	30	Property trading and investment
Hua Qing Holdings Pte Ltd	Singapore	Ordinary	—	20	20	Investment holding
Island Resort Estate Management Company Limited	Hong Kong	Ordinary	—	40	40	Building management
Lead Bright Finance Limited	Hong Kong	Ordinary	—	20	20	Mortgage loan financing
Lead Bright Limited	Hong Kong	Ordinary	—	20	20	Property trading
Million Success Limited	Hong Kong	Ordinary	—	25	25	Property investment
More Treasure Company Limited	Hong Kong	Ordinary	—	25	25	Property investment
Murdoch Investments Inc.	Republic of Panama/ Hong Kong	Ordinary	—	45	45	Property investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2003

45. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ operation	Class of shares held	Percentage of equity held		Total %	Principal activities
			Directly %	Indirectly %		
Olympian City 1 (Project Management) Limited	Hong Kong	Ordinary	—	30	30	Project management
Olympian City 2 Finance Company Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing
Olympian City 2 (Project Management) Limited	Hong Kong	Ordinary	—	42.5	42.5	Project management
Perfect Finance Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing
Prime Force Limited	Hong Kong	Ordinary	—	50	50	Property development
Pui Hay Enterprises Limited	Hong Kong	Ordinary	—	50	50	Property trading
Rich Century Investment Limited	Hong Kong	Ordinary	50	—	50	Property development
Silver Link Investment Limited	Hong Kong	Ordinary	—	40	40	Property trading and investment
Sino Parking Services Limited	Hong Kong	Ordinary	50	—	50	Carpark operation
Sino Real Estate Agency Limited	Hong Kong	Ordinary	50	—	50	Real estate agency
Tat Lee Construction Company Limited	Hong Kong	Ordinary	25	—	25	Building construction
Victory World Finance Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing
Victory World Limited	Hong Kong	Ordinary	—	50	50	Property trading and investment
Wide Harvest Investment Limited	Hong Kong	Ordinary	—	25	25	Property investment
Win Chanford Enterprises Limited	Hong Kong	Ordinary	5	45	50	Property investment