

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June, 2001

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 45.

2. PRINCIPAL ACCOUNTING POLICIES

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

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

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 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 represents the excess of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary and is written off to reserves immediately on acquisition. Negative goodwill, which represents the excess of the fair value ascribed to the Group’s share of the separable net assets at the date of acquisition of a subsidiary over the purchase consideration is credited to reserves.

Any premium or discount arising on the acquisition of an interest in an associate, representing the excess or shortfall, respectively, of the purchase consideration over the fair value ascribed to the Group’s share of the separable net assets of the associate at the date of acquisition, is dealt with in the same manner as that described above for goodwill.

On disposal of an investment in a subsidiary and an associate, the attributable amount of goodwill previously eliminated against or credited to reserves is included in the determination of the profit or loss on disposal of the subsidiary or associate.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Investments in subsidiaries

A subsidiary is an enterprise in which the Company, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or where the Company controls the composition of its Board of Directors or equivalent governing body.

Investments in subsidiaries are included in the Company's balance sheet at valuation or at cost, as reduced by any impairment losses recognised.

Interests in associates

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

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

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

In the Company's balance sheet, investments in associates are stated at valuation or at cost, as reduced by any impairment losses recognised.

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.

In the previous years, interests in associates included the share of revaluation of hotel properties and properties under redevelopment of the associates. During the year, the Directors of the Company reassessed the appropriateness of the above policy and decided to restate the hotel properties and properties under redevelopment at historical costs less impairment losses to conform with the policy of the Group for similar assets. This change in accounting policy has been applied retrospectively as a prior period adjustment (note 28) resulting in a decrease in the reserves of the Group as at 1st July, 1999 and 30th June, 2000 by HK\$87,691,796 and HK\$86,989,189 respectively.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

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 is included in the 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 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 20 years or less.

Hotel property

Hotel property is stated at cost and no depreciation is provided on hotel property held on leases of more than 20 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment

Property, plant and equipment are stated at cost less depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after the asset has been put into operation, such as repairs and maintenance and overhaul costs, is normally charged to the income statement in the period in which it is incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the asset, the expenditure is capitalised as an additional cost of the asset.

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.

Where the recoverable amount of an asset has declined below its carrying amount, the carrying amount is reduced to reflect the decline in value. In determining the recoverable amount of assets, expected future cash flows are not discounted to their present values.

Depreciation is provided to write off the cost 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%

Properties under development

Properties under development which are developed for sale are included in current assets at the lower of cost or carrying value and estimated net realisable value. Net realisable value is determined by reference to estimated sales proceeds less selling expenses, or by management estimates based on prevailing market conditions.

Cost of properties under development includes land cost, construction costs, borrowing costs capitalised in accordance with the Group's accounting policy and other attributable development costs.

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. Net realisable value is determined by reference to estimated sales proceeds less selling expenses, or by management estimates based on prevailing market conditions.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Hotel inventories

Hotel inventories which mainly comprise food, beverages and consumable stores are stated at the lower of cost and net realisable value. Cost, which comprises all costs of purchase and, where applicable, cost of conversion and other costs that have been incurred in bringing the inventories to their present location and condition, is calculated using weighted average cost method. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

Other assets

Other assets represent club memberships and are stated at cost less provision, if necessary, for impairment loss.

Borrowing costs

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

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

Deferred loan arrangement fees

Deferred loan arrangement fees represent expenses incurred in obtaining long-term secured bank loans facilities. Such expenses 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 bonds

Convertible bonds 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 bonds 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 bondholders can exercise their redemption option (the "bondholders' redemption date"). If any of the convertible bonds are purchased and cancelled, redeemed or converted prior to the bondholders' redemption date, any remaining unamortised costs attributable to the convertible bonds purchased will be written off immediately to the income statement.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Convertible bonds *(Continued)*

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

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

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 sales 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 sale 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

2. PRINCIPAL ACCOUNTING POLICIES *(Continued)*

Taxation

The charge for taxation is based on the results for the year after adjusting for items which are non-assessable or disallowed. 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 the resulting timing differences, computed using the liability method, is recognised as deferred taxation in the financial statements to the extent that it is probable that a liability or an asset will crystallise in the foreseeable future.

Foreign currencies

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

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

Retirement benefits costs

The Group has wound up the defined benefits scheme ("the Scheme") registered under the Occupational Retirement Schemes Ordinance with effect from 1st December, 2000 and all members joined the Mandatory Provident Fund Scheme ("MPF") from 1st December, 2000.

The pension costs charged to the income statement represent the contributions payable to the Scheme and MPF for the current year.

Cash equivalents

Cash equivalents represent short-term and highly liquid investments which are readily convertible into known amounts of cash and which were within three months of maturity when acquired; less advances from banks repayable within three months from the dates of the advances.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

3. TURNOVER

	2001 HK\$	2000 HK\$
Gross rental income from properties	801,824,816	722,989,268
Building management and service fee income	351,342,834	343,860,237
Hotel operation	99,076,418	—
Sales of properties held for sale	81,363,200	429,356,000
Sales of investment properties	75,392,000	273,355,964
Dividend income		
– listed investments	42,244,406	14,485,526
– unlisted investments	24,269,679	30,824,933
Interest income from loans receivable	14,299,642	13,664,324
Sales of investments in securities, trading	1,717	241,333,037
	<u>1,489,814,712</u>	<u>2,069,869,289</u>

Interest income (other than interest income from loans receivable) have been reclassified to conform with current year's presentation.

4. SEGMENTAL INFORMATION

	Turnover		Contribution to profit (loss) before taxation	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
By principal activity:				
Property rental	801,824,816	722,989,268	717,102,414	642,624,623
Management services and others	351,342,834	343,860,237	203,473,460	218,874,234
Property development and investment	156,755,200	702,711,964	(32,653,163)	74,796,061
Hotel operation	99,076,418	—	41,820,173	—
Securities trading and investment	66,515,802	286,643,496	(42,938,812)	255,848,743
Financing	14,299,642	13,664,324	14,299,642	13,664,324
	<u>1,489,814,712</u>	<u>2,069,869,289</u>	<u>901,103,714</u>	<u>1,205,807,985</u>
Finance income			286,696,502	303,612,016
Finance costs			(677,104,074)	(691,822,505)
Administrative expenses			(401,493,754)	(295,157,195)
Profit on disposal of an associate			77,355,564	—
			<u>186,557,952</u>	<u>522,440,301</u>
Share of results of associates			396,093,427	994,765,093
Profit before taxation			<u>582,651,379</u>	<u>1,517,205,394</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

5. OTHER OPERATING (EXPENSES) INCOME

Included in other operating (expenses) income is unrealised holding loss on investments in trading securities amounting to HK\$102,399,270 (2000: gain of HK\$156,452,190).

6. PROFIT FROM OPERATIONS

	2001 HK\$	2000 HK\$
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	1,511,164	1,330,268
Depreciation	12,548,373	5,639,375
Staff costs including Directors' remuneration	390,680,529	317,628,423
Loss on disposal of property, plant and equipment	326,956	278,443
Net exchange loss	11,498,834	3,322,647
Gross rental income from properties	(801,824,816)	(722,989,268)
Less: Outgoings	84,722,402	80,364,645
Net rental income from properties	<u>(717,102,414)</u>	<u>(642,624,623)</u>

7. FINANCE INCOME

	2001 HK\$	2000 HK\$
Interest income on		
– advances to associates	218,363,343	154,529,649
– advances to investee companies	7,677,945	6,660,705
– bank deposits	60,655,214	142,421,662
	<u>286,696,502</u>	<u>303,612,016</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

8. FINANCE COSTS

	2001 HK\$	2000 HK\$
Interest on:		
Bank loans and overdrafts wholly repayable		
– within five years	254,296,439	241,808,108
– over five years	—	14,774,168
Other loans wholly repayable within five years	365,425,121	352,490,442
Convertible bonds	85,929,103	113,090,922
Provision for premium on redemption of convertible bonds	82,559,737	96,209,378
Amortisation of issue costs of convertible bonds	13,500,734	20,502,175
Amortisation of loan arrangement fees	17,484,118	11,087,120
Commitment fees	6,882,671	7,444,015
	<u>826,077,923</u>	<u>857,406,328</u>
Less: Amounts capitalised to properties under development	<u>(148,973,849)</u>	<u>(165,583,823)</u>
	<u>677,104,074</u>	<u>691,822,505</u>

9. SHARE OF RESULTS OF ASSOCIATES

The Group's share of results of associates includes a profit of HK\$536,178,430 (2000: HK\$5,732,852) representing the Group's share of profit from disposal of investment properties by the associates and a provision for stocks of unsold properties of HK\$300,000,000 (2000: Nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

10. DIRECTORS' REMUNERATION

	2001 HK\$	2000 HK\$
Directors' fees:		
Executive Directors	200,000	180,000
Independent Non-executive Directors	120,000	120,000
	<u>320,000</u>	<u>300,000</u>
Other emoluments:		
Executive Directors		
Salaries and other benefits	28,244,236	25,188,841
Contributions to retirement benefits scheme	164,219	232,965
	<u>28,728,455</u>	<u>25,721,806</u>

The remuneration of the Directors were within the following bands:

HK\$	Number of Directors 2001	2000
Nil – 1,000,000	3	3
2,500,001 – 3,000,000	2	1
3,000,001 – 3,500,000	—	1
3,500,001 – 4,000,000	1	1
4,000,001 – 4,500,000	1	1
4,500,001 – 5,000,000	2	—
5,000,001 – 5,500,000	1	1
5,500,001 – 6,000,000	—	1
	<u>—</u>	<u>1</u>

11. EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, all (2000: four) were Executive Directors of the Company whose emoluments are included in note 10 above. The emoluments of the individual disclosed pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") were as follows:

	2001 HK\$	2000 HK\$
Salaries and other emoluments (including basic salaries, housing allowances, other allowances and benefits in kind)	—	3,354,744
Contributions to retirement benefits scheme	—	148,529
	<u>—</u>	<u>3,503,273</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

11. EMPLOYEES' EMOLUMENTS (Continued)

The emoluments were within the following band:

HK\$	Number of individual	
	2001	2000
3,500,001 – 4,000,000	—	1

During the years ended 30th June, 2001 and 2000, no emoluments were paid by the Group to the five highest paid individuals, including Directors, as an inducement to join or upon joining the Group or as compensation for loss of office. In addition, no Director waived any emoluments.

12. TAXATION

	2001 HK\$	2000 HK\$
The charge comprises:		
Hong Kong Profits Tax		
Provisions for the year	48,446,702	45,081,142
Under(over)-provision in previous years	21,357,935	(1,187,502)
Taxation attributable to the Company and its subsidiaries	69,804,637	43,893,640
Share of taxation attributable to associates Hong Kong Profits Tax	10,676,425	106,405,192
	80,481,062	150,298,832

Hong Kong Profits Tax is calculated at 16% (2000: 16%) of the estimated assessable profit for the year.

Details of the potential deferred tax credit not provided for in the year are set out in note 36.

13. NET PROFIT ATTRIBUTABLE TO SHAREHOLDERS

Of the Group's net profit attributable to shareholders of HK\$500,976,310 (2000: HK\$1,365,325,302), a profit of HK\$289,559,132 (2000: HK\$59,080,779) has been dealt with in the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

14. DIVIDENDS

	2001 HK\$	2000 <i>HK\$</i>
Interim, paid – HK2 cents (2000: HK5 cents) per share	76,913,023	179,531,319
Final, proposed – HK2 cents (2000: HK5 cents) per share	77,115,664	181,495,097
	<u>154,028,687</u>	<u>361,026,416</u>

During the year, scrip dividends were offered in respect of the 2000 final and 2001 interim dividends. These scrip alternatives were accepted by the majority of shareholders, as follows:

	2001 Interim HK\$	2000 Final <i>HK\$</i>
Dividends:		
Cash	24,501,492	54,289,048
Scrip alternatives	52,411,531	127,206,049
	<u>76,913,023</u>	<u>181,495,097</u>

15. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit attributable to shareholders for the year of HK\$500,976,310 (2000: HK\$1,365,325,302) and on the weighted average number of 3,729,997,313 (2000: 3,547,197,609) ordinary shares in issue throughout the year.

No diluted earnings per share has been compiled and presented for the year ended 30th June, 2001 as the effect of the assumed conversion of the Company's outstanding convertible bonds would result in an increase in net profit per share from continuing ordinary operations.

The diluted earnings per share for the year ended 30th June, 2000 was based on the adjusted profit attributable to shareholders for the year of HK\$1,366,586,300 and on the weighted average number of 3,552,464,934 ordinary shares issued and issuable, calculated on the assumption that the Company's outstanding convertible bonds had been converted.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

16. 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, 2000	1,827,000,000	10,297,676,520	—	12,124,676,520
Transfer from properties under development	—	2,421,479,483	318,090,556	2,739,570,039
Transfer from stocks of unsold properties	—	540,369,799	—	540,369,799
Acquisition of a subsidiary	—	204,750,000	—	204,750,000
Additions	—	24,414,300	—	24,414,300
Disposals	—	(86,239,649)	—	(86,239,649)
Exchange difference (Deficit) surplus on revaluation	— (26,000,000)	— 344,707,587	(14,434,735)	(14,434,735) 364,072,044
At 30th June, 2001	<u>1,801,000,000</u>	<u>13,747,158,040</u>	<u>349,020,278</u>	<u>15,897,178,318</u>

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, 2001 given by Chesterton Petty Limited, Chartered Surveyors and Knight Frank Pte. Ltd, respectively. The net surplus on revaluation has been credited to the investment property revaluation reserve.

17. HOTEL PROPERTY

	Hotel property in Singapore held under a long lease <i>HK\$</i>
THE GROUP	
COST	
Transfer from properties under development during the year and balance at 30th June, 2001	<u>1,132,935,401</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

18. PROPERTY, PLANT AND EQUIPMENT

	Computer systems <i>HK\$</i>	Furniture, fixtures and equipment <i>HK\$</i>	Leasehold improvements <i>HK\$</i>	Motor vehicles <i>HK\$</i>	Plant and machinery <i>HK\$</i>	Total <i>HK\$</i>
THE GROUP						
COST						
At 1st July, 2000	17,747,418	6,856,917	17,004,113	9,366,461	4,265,314	55,240,223
Acquisition of a subsidiary	—	12,767	—	—	—	12,767
Additions	10,008,562	26,080,676	1,982,006	166,232	1,171,910	39,409,386
Disposals	(1,764,862)	(562,464)	(534,407)	(174,968)	(89,500)	(3,126,201)
At 30th June, 2001	25,991,118	32,387,896	18,451,712	9,357,725	5,347,724	91,536,175
DEPRECIATION						
At 1st July, 2000	10,484,277	673,539	11,485,068	6,933,462	3,386,506	32,962,852
Provided for the year	3,598,879	5,439,001	2,014,968	923,907	571,618	12,548,373
Eliminated on disposals	(1,459,378)	(173,427)	(110,156)	—	(80,550)	(1,823,511)
At 30th June, 2001	12,623,778	5,939,113	13,389,880	7,857,369	3,877,574	43,687,714
NET BOOK VALUES						
At 30th June, 2001	13,367,340	26,448,783	5,061,832	1,500,356	1,470,150	47,848,461
At 30th June, 2000	7,263,141	6,183,378	5,519,045	2,432,999	878,808	22,277,371

19. INTERESTS IN SUBSIDIARIES

	THE COMPANY 2001 <i>HK\$</i>	2000 <i>HK\$</i>
Unlisted shares, at cost less provision	41,700,232	61,483,239
Surplus on revaluation	2,776,664,894	2,776,664,894
At cost or valuation	2,818,365,126	2,838,148,133
Advances to subsidiaries, less provision	22,793,728,906	22,669,419,074
	25,612,094,032	25,507,567,207

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

19. INTERESTS IN SUBSIDIARIES (Continued)

The advances to subsidiaries are unsecured and have no fixed repayment terms. Of the advances, HK\$8,545,021,005 (2000: HK\$8,426,550,069) bear 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.

Particulars of the Company's principal subsidiaries as at 30th June, 2001 are set out in note 45.

20. INTERESTS IN ASSOCIATES

	THE COMPANY		THE GROUP	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Unlisted investments, at cost				
less provision	538,571,229	538,371,230	1,703,770,427	1,744,428,957
Surplus on revaluation	700,708,987	739,108,987	—	—
Share of post-acquisition reserves				
Retained profits (accumulated losses)	—	—	3,318,029	(205,105,595)
Investment property revaluation reserve	—	—	2,179,672,277	3,441,700,924
Premium on acquisition written off to retained profits	—	—	(185,889,768)	(185,889,768)
	<u>1,239,280,216</u>	<u>1,277,480,217</u>	<u>3,700,870,965</u>	<u>4,795,134,518</u>
Advances to associates, less provision	<u>418,037,374</u>	<u>1,147,277,996</u>	<u>7,429,493,474</u>	<u>6,437,060,173</u>
	<u>1,657,317,590</u>	<u>2,424,758,213</u>	<u>11,130,364,439</u>	<u>11,232,194,691</u>
The Group's interests in associates comprise:				
Share of net assets			<u>3,700,870,965</u>	<u>4,795,134,518</u>

The investment properties of the Group's principal associates were valued at independent professional valuations on an open market value basis at 30th June, 2001 given by Chesterton Petty Limited, Chartered Surveyors. The carrying value shown above includes the Group's attributable share of the revaluation reserves.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

20. INTERESTS IN ASSOCIATES *(Continued)*

The advances to associates are unsecured and have no fixed repayment terms. Of the advances, HK\$670,897,063 (2000: HK\$266,178,705) bear 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.

Particulars of the Company's principal associates as at 30th June, 2001 are set out in note 46.

Information in respect of the operating results and financial position of the Group's significant associate is summarised as follows:

Results for the year	Jumbo Funds Limited	
	2001	2000
	HK\$	HK\$
Turnover	<u>1,648,826,644</u>	<u>88,771,791</u>
Profit from ordinary activities before taxation	<u>1,153,840,152</u>	<u>20,238,176</u>
Profit from ordinary activities before taxation attributable to the Group	<u>576,920,076</u>	<u>10,119,088</u>
Financial position		
Non-current assets	<u>—</u>	<u>2,237,000,000</u>
Current assets	<u>1,446,475,600</u>	<u>7,148,924</u>
Current liabilities	<u>(47,024,841)</u>	<u>(39,840,389)</u>
	<u>1,399,450,759</u>	<u>(32,691,465)</u>
Non-current liabilities	<u>(253,080,967)</u>	<u>(355,376,881)</u>
Net assets	<u>1,146,369,792</u>	<u>1,848,931,654</u>
Net assets attributable to the Group	<u>573,184,896</u>	<u>924,465,827</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

21. INVESTMENTS IN SECURITIES

THE COMPANY

	Trading securities		Other securities		Total	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Equity securities:						
Listed	661,613,025	763,974,796	568,817,974	370,662,585	1,230,430,999	1,134,637,381
Unlisted	—	—	19,949,305	19,949,305	19,949,305	19,949,305
	661,613,025	763,974,796	588,767,279	390,611,890	1,250,380,304	1,154,586,686
Total:						
Listed						
Hong Kong	661,584,720	763,946,767	393,909,039	203,806,369	1,055,493,759	967,753,136
Elsewhere	28,305	28,029	174,908,935	166,856,216	174,937,240	166,884,245
Unlisted	—	—	19,949,305	19,949,305	19,949,305	19,949,305
	661,613,025	763,974,796	588,767,279	390,611,890	1,250,380,304	1,154,586,686
Market value of listed securities	661,613,025	763,974,796	568,817,974	370,662,585	1,230,430,999	1,134,637,381
Carrying amount analysed for reporting purposes as:						
Current	661,613,025	763,974,796	—	—	661,613,025	763,974,796
Non-current	—	—	588,767,279	390,611,890	588,767,279	390,611,890
	661,613,025	763,974,796	588,767,279	390,611,890	1,250,380,304	1,154,586,686

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

21. INVESTMENTS IN SECURITIES (Continued)

THE GROUP

	Trading securities		Other securities		Total	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Equity securities:						
Listed	664,163,025	766,562,295	834,340,328	818,851,569	1,498,503,353	1,585,413,864
Unlisted	—	—	120,172,623	120,300,720	120,172,623	120,300,720
	<u>664,163,025</u>	<u>766,562,295</u>	<u>954,512,951</u>	<u>939,152,289</u>	<u>1,618,675,976</u>	<u>1,705,714,584</u>
Total:						
Listed						
Hong Kong	664,134,720	766,534,266	504,561,193	378,359,723	1,168,695,913	1,144,893,989
Elsewhere	28,305	28,029	329,779,135	440,491,846	329,807,440	440,519,875
Unlisted	—	—	120,172,623	120,300,720	120,172,623	120,300,720
	<u>664,163,025</u>	<u>766,562,295</u>	<u>954,512,951</u>	<u>939,152,289</u>	<u>1,618,675,976</u>	<u>1,705,714,584</u>
Market value of listed securities	<u>664,163,025</u>	<u>766,562,295</u>	<u>834,340,328</u>	<u>818,851,569</u>	<u>1,498,503,353</u>	<u>1,585,413,864</u>
Carrying amount analysed for reporting purposes as:						
Current	664,163,025	766,562,295	—	—	664,163,025	766,562,295
Non-current	—	—	954,512,951	939,152,289	954,512,951	939,152,289
	<u>664,163,025</u>	<u>766,562,295</u>	<u>954,512,951</u>	<u>939,152,289</u>	<u>1,618,675,976</u>	<u>1,705,714,584</u>

22. ADVANCES TO INVESTEE COMPANIES

The advances to investee companies of the Group are unsecured and have no fixed repayment terms. Of the advances, HK\$18,436,098 (2000: HK\$25,325,900) 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.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

23. LONG-TERM LOANS RECEIVABLE

	THE GROUP	
	2001	2000
	HK\$	HK\$
Total loans receivable	79,413,001	154,556,754
Less: Current portion shown under current assets	<u>(2,787,496)</u>	<u>(7,771,864)</u>
	<u>76,625,505</u>	<u>146,784,890</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.

24. STOCKS OF UNSOLD PROPERTIES

The amount of stocks of unsold properties carried at net realisable value is HK\$52,056,790 (2000: Nil).

25. ACCOUNTS AND OTHER RECEIVABLES

Included in accounts and other receivables are trade receivables of HK\$113,040,533 (2000: HK\$114,896,174) comprising mainly rental receivables which are billed in advance and settlements are expected upon receipt of billings.

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

	THE GROUP	
	2001	2000
	HK\$	HK\$
0 – 30 days	52,240,474	57,405,917
31 – 60 days	3,819,254	4,330,199
61 – 90 days	5,193,552	3,999,449
Over 90 days	<u>51,787,253</u>	<u>49,160,609</u>
	<u>113,040,533</u>	<u>114,896,174</u>

Trade receivables over 90 days amounting to HK\$51,787,253 (2000: HK\$49,160,609) are sufficiently covered by rental deposits received from the respective tenants and no provision is required for these receivables under the Group's provision policy.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

26. ACCOUNTS AND OTHER PAYABLES

Included in accounts and other payables are trade payables of HK\$60,696,457 (2000: HK\$82,961,113).

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

	THE GROUP	
	2001	2000
	HK\$	HK\$
0 – 30 days	45,753,001	72,251,780
31 – 60 days	4,037,286	2,581,180
61 – 90 days	801,970	648,186
Over 90 days	10,104,200	7,479,967
	<u>60,696,457</u>	<u>82,961,113</u>

27. SHARE CAPITAL

	THE COMPANY AND THE GROUP			
	2001		2000	
	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	6,000,000,000	6,000,000,000	4,000,000,000	4,000,000,000
Increase during the year	<u>—</u>	<u>—</u>	<u>2,000,000,000</u>	<u>2,000,000,000</u>
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	3,629,901,942	3,629,901,942	3,491,078,256	3,491,078,256
Private placement	180,000,000	180,000,000	—	—
Issued in lieu of cash dividend	52,181,269	52,181,269	82,862,686	82,862,686
Cancellation upon repurchase of own shares	(1,500,000)	(1,500,000)	(11,860,000)	(11,860,000)
Issued on shares swap	—	—	67,416,000	67,416,000
Issued upon conversion of convertible bonds	—	—	405,000	405,000
At 30th June	<u>3,860,583,211</u>	<u>3,860,583,211</u>	<u>3,629,901,942</u>	<u>3,629,901,942</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

27. SHARE CAPITAL *(Continued)*

During the year, the Company repurchased on The Stock Exchange of Hong Kong Limited a total of 1,500,000 ordinary shares of HK\$1.00 each of the Company at an aggregate consideration of HK\$4,868,553, 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 18th December, 2000 and 21st May, 2001, respectively, the Company issued and allotted a total of 37,249,209 shares and 14,932,060 shares of HK\$1.00 each of the Company at an issue price of HK\$3.415 and HK\$3.510 each in the Company in lieu of cash for the 2000 final and 2001 interim dividends pursuant to the scrip dividend circulars despatched to shareholders on 16th November, 2000 and 18th April, 2001, respectively. These shares rank pari passu in all respects with the existing shares in issue.

Pursuant to a Placing and Underwriting Agreement dated 9th January, 2001, arrangements were made for a private placement to independent private investors of 180,000,000 shares of HK\$1.00 each in the Company held by TST Properties at a price of HK\$4.35 per share.

Pursuant to a subscription agreement dated 9th January, 2001, TST Properties on 22nd January, 2001 subscribed for and was allotted with 180,000,000 new shares of HK\$1.00 each in the Company at a price of HK\$4.35 per share. The proceeds were used to finance on-going projects of the Company. These new shares were issued under the general mandate granted to the Directors at the Annual General Meeting of the Company held on 15th November, 2000 and rank pari passu with other shares in issue in all respects.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

28. SHARE PREMIUM AND RESERVES

	Share premium <i>HK\$</i>	Investment revaluation reserve <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, 1999	8,055,005,092	3,515,773,881	26,347,107	87,160,000	10,535,911,995	22,220,198,075
Premium on issue of shares upon scrip dividend	194,993,583	—	—	—	—	194,993,583
Premium on issue of shares upon shares swap	242,697,600	—	—	—	—	242,697,600
Premium on issue of shares upon conversion of convertible bonds	3,462,750	—	—	—	—	3,462,750
Shares issue expenses	(437,647)	—	—	—	—	(437,647)
Cancellation upon repurchase of own shares	—	—	—	11,860,000	(32,325,710)	(20,465,710)
Deficit on revaluation	—	—	(73,526,738)	—	—	(73,526,738)
Net profit for the year	—	—	—	—	59,080,779	59,080,779
Dividends paid and proposed	—	—	—	—	(361,026,416)	(361,026,416)
At 30th June, 2000 and 1st July, 2000	8,495,721,378	3,515,773,881	(47,179,631)	99,020,000	10,201,640,648	22,264,976,276
Premium on issue of shares upon scrip dividend	127,436,311	—	—	—	—	127,436,311
Premium on issue of shares upon private placement	603,000,000	—	—	—	—	603,000,000
Shares issue expenses	(14,761,873)	—	—	—	—	(14,761,873)
Cancellation upon repurchase of own shares	—	—	—	1,500,000	(4,868,553)	(3,368,553)
Realised on disposal of an associate	—	(38,400,000)	—	—	—	(38,400,000)
Deficit on revaluation	—	—	(13,855,976)	—	—	(13,855,976)
Impairment loss charged to income statement	—	—	6,856,943	—	—	6,856,943
Net profit for the year	—	—	—	—	289,559,132	289,559,132
Dividends paid and proposed	—	—	—	—	(154,028,687)	(154,028,687)
At 30th June, 2001	9,211,395,816	3,477,373,881	(54,178,664)	100,520,000	10,332,302,540	23,067,413,573

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

28. SHARE PREMIUM AND RESERVES (Continued)

	Share premium HK\$	Property revaluation reserve HK\$	Investment property revaluation reserve HK\$	Other security revaluation reserve HK\$	Capital redemption reserve HK\$	Exchange reserve HK\$	Retained profits (accumulated deficits) HK\$	Total HK\$
THE GROUP								
At 1st July, 1999								
As previously stated	8,055,005,092	87,691,796	8,138,404,949	12,469,379	87,160,000	—	5,987,783,138	22,368,514,354
Prior year adjustment (note 2)	—	(87,691,796)	—	—	—	—	—	(87,691,796)
As restated	8,055,005,092	—	8,138,404,949	12,469,379	87,160,000	—	5,987,783,138	22,280,822,558
Premium on issue of shares upon scrip dividend	194,993,583	—	—	—	—	—	—	194,993,583
Premium on issue of shares upon shares swap	242,697,600	—	—	—	—	—	—	242,697,600
Premium on issue of shares upon conversion of convertible bonds	3,462,750	—	—	—	—	—	—	3,462,750
Shares issue expenses	(437,647)	—	—	—	—	—	—	(437,647)
Cancellation upon repurchase of own shares	—	—	—	—	11,860,000	—	(32,325,710)	(20,465,710)
Surplus (deficit) on revaluation	—	—	313,682,865	(302,059,328)	—	—	—	11,623,537
Revaluation reserves released on disposal	—	—	(161,111,213)	(38,354)	—	—	—	(161,149,567)
Share of deficit on revaluation of property interest by minority shareholders	—	—	2,770,000	—	—	—	—	2,770,000
Share of deficit on revaluation of property interests of associates	—	—	(27,987,373)	—	—	—	—	(27,987,373)
Share of revaluation reserves released on disposal of property interests of associates	—	—	(46,534,100)	—	—	—	—	(46,534,100)
Net profit for the year	—	—	—	—	—	—	1,365,325,302	1,365,325,302
Dividends paid and proposed	—	—	—	—	—	—	(361,026,416)	(361,026,416)
At 30th June, 2000 and 1st July, 2000	8,495,721,378	—	8,219,225,128	(289,628,303)	99,020,000	—	6,959,756,314	23,484,094,517
Premium on issue of shares upon scrip dividend	127,436,311	—	—	—	—	—	—	127,436,311
Premium on issue of shares upon private placement	603,000,000	—	—	—	—	—	—	603,000,000
Shares issue expenses	(14,761,873)	—	—	—	—	—	—	(14,761,873)
Cancellation upon repurchase of own shares	—	—	—	—	1,500,000	—	(4,868,553)	(3,368,553)
Surplus (deficit) on revaluation	—	—	364,072,044	(216,767,062)	—	—	—	147,304,982
Revaluation reserves released on disposal	—	—	(12,195,631)	—	—	—	—	(12,195,631)
Share of deficit on revaluation of property interest by minority shareholders	—	—	35,665,732	—	—	—	—	35,665,732
Share of deficit on revaluation of property interests of associates	—	—	(186,612,555)	—	—	—	—	(186,612,555)
Share of revaluation reserves released on disposal of an associate	—	—	(77,355,563)	—	—	—	—	(77,355,563)
Share of revaluation reserves released on disposal of property interests of associates	—	—	(915,178,813)	—	—	—	—	(915,178,813)
Impairment loss charged to income statement	—	—	—	6,856,943	—	—	—	6,856,943
Exchange rate adjustment	—	—	—	—	—	10,215,468	—	10,215,468
Net profit for the year	—	—	—	—	—	—	500,976,310	500,976,310
Dividends paid and proposed	—	—	—	—	—	—	(154,028,687)	(154,028,687)
At 30th June, 2001	9,211,395,816	—	7,427,620,342	(499,538,422)	100,520,000	10,215,468	7,301,835,384	23,552,048,588
Including reserves of associates	—	—	2,179,672,277	—	—	—	3,318,029	2,182,990,306
At 30th June, 2001	—	—	2,179,672,277	—	—	—	3,318,029	2,182,990,306
At 30th June, 2000	—	—	3,441,700,924	—	—	—	(205,105,595)	3,236,595,329

Notes:

- (i) At 30th June, 2001, retained profits in the sum of HK\$14,922,244 (2000: HK\$33,545,220) of certain associates attributable to the Group are distributable by way of dividend subject to the prior consent of their bankers.
- (ii) The reserve available for distribution by the Company to the shareholders as at 30th June, 2001 is HK\$10,332,302,540 (2000: HK\$10,201,640,648).

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

29. LONG-TERM BORROWINGS

	THE COMPANY		THE GROUP	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Secured bank loans				
Within one year	—	—	202,000,000	176,000,000
More than one year but not exceeding two years	—	—	1,155,391,000	705,611,102
More than two years but not exceeding five years	—	—	2,024,724,500	1,492,100,000
Over five years	—	—	—	345,496,000
	<u>—</u>	<u>—</u>	<u>3,382,115,500</u>	<u>2,719,207,102</u>
Less: Current portion shown under current liabilities	—	—	(202,000,000)	(176,000,000)
	<u>—</u>	<u>—</u>	<u>3,180,115,500</u>	<u>2,543,207,102</u>
Unsecured bank loans				
Within one year	—	—	31,200,000	—
More than one year but not exceeding two years	—	—	31,200,000	—
More than two years but not exceeding five years	—	—	233,990,500	—
	<u>—</u>	<u>—</u>	<u>296,390,500</u>	<u>—</u>
Less: Current portion shown under current liabilities	—	—	(31,200,000)	—
	<u>—</u>	<u>—</u>	<u>265,190,500</u>	<u>—</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

29. LONG-TERM BORROWINGS *(Continued)*

	THE COMPANY		THE GROUP	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Secured other loans				
More than two years but not exceeding five years	—	—	2,006,888,998	2,198,889,025
Unsecured other loans				
More than two years but not exceeding five years	—	—	900,000,000	—
	<u>—</u>	<u>—</u>	<u>2,906,888,998</u>	<u>2,198,889,025</u>
Total bank and other loans	—	—	6,352,194,998	4,742,096,127
Less: Deferred loan arrangement fees (note 30)	—	—	(47,953,184)	(41,279,971)
	<u>—</u>	<u>—</u>	<u>6,304,241,814</u>	<u>4,700,816,156</u>
Convertible bonds (Note 31)	1,122,351,591	2,726,527,639	1,117,630,457	2,708,305,771
Less: Current portion shown under current liabilities	(1,122,351,591)	(1,659,436,502)	(1,117,630,457)	(1,651,982,132)
	<u>—</u>	<u>1,067,091,137</u>	<u>—</u>	<u>1,056,323,639</u>
	<u>—</u>	<u>1,067,091,137</u>	<u>6,304,241,814</u>	<u>5,757,139,795</u>

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

30. DEFERRED LOAN ARRANGEMENT FEES

	THE GROUP	
	2001	2000
	HK\$	HK\$
COST		
At 1st July	55,317,017	55,317,017
Additions	24,157,331	—
At 30th June	79,474,348	55,317,017
AMORTISATION		
At 1st July	14,037,046	2,949,926
Provided for the year	17,484,118	11,087,120
At 30th June	31,521,164	14,037,046
Deferred loan arrangement fees at 30th June	47,953,184	41,279,971

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

31. CONVERTIBLE BONDS

	THE COMPANY		THE GROUP	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
Principal amount:				
At 1st July	2,428,035,500	2,431,903,250	2,428,035,500	2,431,903,250
Conversion	—	(3,867,750)	—	(3,867,750)
Redemption	(1,536,125,600)	—	(1,536,125,600)	—
At 30th June	891,909,900	2,428,035,500	891,909,900	2,428,035,500
Add: Provision for premium on redemption				
At 1st July	298,492,139	202,282,761	298,492,139	202,282,761
Addition during the year	82,559,737	96,209,378	82,559,737	96,209,378
Written back upon redemption	(150,610,185)	—	(150,610,185)	—
At 30th June	230,441,691	298,492,139	230,441,691	298,492,139
Less: Issue costs				
At 1st July	—	—	18,221,868	38,724,043
Amortised during the year including amounts written back upon redemption/conversion	—	—	(13,500,734)	(20,502,175)
At 30th June	—	—	4,721,134	18,221,868
Carrying value at 30th June	1,122,351,591	2,726,527,639	1,117,630,457	2,708,305,771

In October 1993, the Company issued US\$200,000,000 5% convertible bonds due in October 2000 ("2000 Bonds"). The 2000 Bonds carried a right to convert at any time from 1st December, 1993 to 14th October, 2000 into ordinary shares of the Company at an initial conversion price of HK\$6.86 per share (subject to adjustment) with a fixed exchange rate on conversion of HK\$7.73808 = US\$1.00. The bonds were redeemable at a premium which ranged from 4% of their face value on or after 21st October, 1996 to 1% according to the dates of redemption, such premium being successively reduced by 1% by every 12 months up to the maturity of the bonds.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

31. CONVERTIBLE BONDS *(Continued)*

In February 1996, the Company issued US\$200,000,000 5% convertible bonds due in February 2001 ("2001 Bonds"). The 2001 Bonds carried a right to convert at any time from 16th April, 1996 to 19th February, 2001 into ordinary shares of the Company at an initial conversion price of HK\$9.55 per share (subject to adjustment) with a fixed exchange rate on conversion of HK\$7.7355 = US\$1.00. The bonds were redeemable at a premium of 1%, 2% or 10% of their face value according to the date of redemption.

In April 1997, the Company issued US\$145,000,000 4% convertible bonds due in April 2002 ("2002 Bonds"). The 2002 Bonds carry a right to convert at any time from 18th June, 1997 to 11th April, 2002 into ordinary shares of the Company at an initial conversion price of HK\$8.50 per share (subject to adjustment) with a fixed exchange rate on conversion of HK\$7.749 = US\$1.00. The bonds are redeemable at a premium accruing on a straight line basis over the terms of the bonds up to a maximum of 31% of their face value.

During the year, US\$3,880,000 of the 2000 Bonds and US\$194,700,000 of the 2001 Bonds were redeemed on maturity.

32. ADVANCES FROM ASSOCIATES

The advances from associates of the Group and the Company are unsecured, bear interest at prevailing market rates 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.

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 SUBSIDIARIES

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

35. ADVANCE FROM A MINORITY SHAREHOLDER

The advance from a minority shareholder of the Group is unsecured, bears interest at cost of funds plus a margin and has no fixed repayment term. The advance will not be repayable within twelve months from the balance sheet date and the advance is therefore shown as non-current.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

36. DEFERRED TAXATION

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

	THE COMPANY		THE GROUP	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences attributable to:				
Unutilised tax losses	185,650,000	172,182,786	329,490,000	262,943,591
Excess of tax allowances over depreciation	—	—	(2,255,000)	(2,129,446)
Other timing differences	—	—	(8,427,000)	(9,430,726)
	<u>185,650,000</u>	<u>172,182,786</u>	<u>318,808,000</u>	<u>251,383,419</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	
	2001	2000	2001	2000
	HK\$	HK\$	HK\$	HK\$
Tax effect of timing differences attributable to:				
Tax losses incurred	13,467,214	4,653,171	66,546,409	31,497,533
Excess of tax allowances over depreciation	—	—	(125,554)	(425,070)
Other timing differences	—	—	1,003,726	(1,962,330)
	<u>13,467,214</u>	<u>4,653,171</u>	<u>67,424,581</u>	<u>29,110,133</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, 2001

37. RECONCILIATION OF PROFIT BEFORE TAXATION TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2001 <i>HK\$</i>	2000 <i>HK\$</i>
Profit before taxation	582,651,379	1,517,205,394
Share of results of associates	(396,093,427)	(994,765,093)
Interest income	(286,696,502)	(303,612,016)
Interest expenses	556,676,814	556,579,817
Amortisation of issue costs of convertible bonds	13,500,734	20,502,175
Amortisation of loan arrangement and commitment fees	24,366,789	18,531,135
Depreciation	12,548,373	5,639,375
Impairment loss recognised on investments in securities	6,856,943	—
Profit on disposal of investment properties	(1,347,982)	(140,170,690)
Loss on disposal of property, plant and equipment	326,956	278,443
Profit on disposal of an associate	(77,355,564)	—
Profit on dissolution of an associate	(13,376)	—
Unrealised holding loss (gain) on investments in securities, trading	102,399,270	(156,452,190)
Provision for premium on redemption of convertible bonds	82,559,737	96,209,378
Increase in properties under development	(1,737,259,151)	(1,516,927,283)
Decrease in stocks of unsold properties	91,464,090	454,891,482
Increase in hotel inventories	(19,830,630)	—
Increase in investments in securities	—	(453,870,933)
Decrease (increase) in accounts and other receivables	238,132,257	(164,277,222)
Decrease (increase) in sales proceeds held in stakeholders' accounts	38,485,706	(35,671,667)
Decrease in accounts and other payables	(1,915,447)	(401,537,537)
Net change in current accounts with associates	(102,973,382)	(477,090,949)
Write-off of interests in associates	—	5,402,496
Profit on disposal of investments in securities, non-trading	—	(16,059)
Net cash outflow from operating activities	<u>(873,516,413)</u>	<u>(1,969,151,944)</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

38. ACQUISITION OF A SUBSIDIARY

	2001 HK\$	2000 HK\$
Net assets acquired of		
Investment properties	204,750,000	—
Property, plant and equipment	12,767	—
Stocks of unsold properties	34,137,532	—
Accounts and other receivables	1,710,770	—
Bank balances and cash	428,539	—
Accounts and other payables	(56,451,323)	—
Taxation payable	(303,478)	—
Unsecured loan payable	(19,792,891)	—
	<u>164,491,916</u>	<u>—</u>
Satisfied by		
Cash	80,427,192	—
Interest in an associate	84,064,724	—
	<u>164,491,916</u>	<u>—</u>
Net cash outflow arising on acquisition		
Cash consideration	(80,427,192)	—
Bank balances and cash acquired	428,539	—
	<u>(79,998,653)</u>	<u>—</u>

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

39. MAJOR NON-CASH TRANSACTIONS

During the year, properties under development and stocks of unsold properties of HK\$2,739,570,039 (2000: HK\$284,190,321) and HK\$540,369,799 (2000: HK\$575,561,556), respectively, were transferred to investment properties. In addition, properties under development of HK\$1,132,935,401 (2000: Nil) were transferred to hotel property.

On 18th December, 2000 and 21st May, 2001, respectively, the Company issued and allotted a total of 37,249,209 shares and 14,932,060 shares of HK\$3.415 and HK\$3.510 each in the Company in lieu of cash for the 2000 final and 2001 interim dividends pursuant to the scrip dividend circular despatched to shareholders.

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

40. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Share capital, share premium and capital redemption reserve HK\$	Bank loans, other loans and other long-term liabilities HK\$	Convertible bonds HK\$	Minority interests and advance from a minority shareholder HK\$	Advances from associates HK\$	Advances from investee companies HK\$
At 1st July, 1999	11,633,243,348	5,537,851,147	2,595,461,968	258,361,683	496,275,822	520,034
New secured bank loans	—	1,268,091,381	—	—	—	—
Repayments of advances from associates	—	—	—	—	(17,346,987)	—
Advances from investee companies	—	—	—	—	—	50,000
Advance from a minority shareholder	—	—	—	22,503,066	—	—
Repayments of bank loans	—	(913,880,960)	—	—	—	—
Shares issue expenses	(437,647)	—	—	—	—	—
Shares issued in lieu of cash dividend	277,856,269	—	—	—	—	—
Shares issued upon shares swap	310,113,600	—	—	—	—	—
Shares issued upon conversion of convertible bonds	3,867,750	—	(3,867,750)	—	—	—
Amortisation of issue costs	—	—	20,502,175	—	—	—
Provision for premium on redemption	—	—	96,209,378	—	—	—
Minority shareholders' share of – profit	—	—	—	1,581,260	—	—
– investment property revaluation deficit	—	—	—	(2,770,000)	—	—
Dividends paid to minority shareholders	—	—	—	(9,435,000)	—	—
Amortisation of deferred loan arrangement fees	—	11,087,120	—	—	—	—
At 30th June, 2000 and 1st July, 2000	12,224,643,320	5,903,148,688	2,708,305,771	270,241,009	478,928,835	570,034
New secured bank loans	—	2,506,092,069	—	—	—	—
Issue of new shares	783,000,000	—	—	—	—	—
Advances from associates	—	—	—	—	63,881,115	—
Repayments of advances from investee companies	—	—	—	—	—	(496,393)
Advance from a minority shareholder	—	—	—	10,546,817	—	—
Redemption of convertible bonds	—	—	(1,686,735,785)	—	—	—
Repayments of bank loans	—	(656,027,234)	—	—	—	—
Shares issue expenses	(14,761,873)	—	—	—	—	—
Shares issued in lieu of cash dividend	179,617,580	—	—	—	—	—
Amortisation of issue costs	—	—	13,500,734	—	—	—
Provision for premium on redemption	—	—	82,559,737	—	—	—
Minority shareholders' share of – profit	—	—	—	1,194,007	—	—
– investment property revaluation deficit	—	—	—	(35,665,732)	—	—
Dividends paid to minority shareholders	—	—	—	(1,900,000)	—	—
Exchange rate adjustments	—	(31,279,500)	—	—	—	—
Addition to deferred loan arrangement fees	—	(24,157,331)	—	—	—	—
Amortisation of deferred loan arrangement fees	—	17,484,118	—	—	—	—
At 30th June, 2001	13,172,499,027	7,715,260,810	1,117,630,457	244,416,101	542,809,950	73,641

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

41. PLEDGE OF ASSETS

- (a) At 30th June, 2001, the aggregate facilities of bank loans, overdrafts and other loans amounting to HK\$9,025,589,429 (2000: HK\$8,017,440,021) were secured by the Group's listed investments, properties, time deposits and bank balances. At that date, the facilities were utilised to the extent of HK\$6,575,287,494 (2000: HK\$5,958,148,586).
- (b) At 30th June, 2001, 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\$5,314,459,891 (2000: HK\$6,827,789,891) of which HK\$4,799,509,891 (2000: HK\$5,933,054,891) were utilised, and in respect of the amounts utilised, HK\$4,475,680,000 (2000: HK\$5,349,225,000) was guaranteed by the Company.

42. 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	
	2001 HK\$	2000 HK\$	2001 HK\$	2000 HK\$
(a) Commitments in respect of property development expenditure:				
Authorised but not contracted for	—	—	418,688,891	13,164,297
Contracted but not provided for	—	—	762,904,815	862,026,517
	<u>—</u>	<u>—</u>	<u>1,181,593,706</u>	<u>875,190,814</u>
(b) Guarantees in respect of banking facilities and other liabilities of:				
Subsidiaries				
Utilised	5,252,901,921	3,403,172,165	—	—
Not utilised	3,046,645,705	2,008,475,205	—	—
	<u>8,299,547,626</u>	<u>5,411,647,370</u>	<u>—</u>	<u>—</u>
Associates				
Utilised	4,475,680,000	5,349,225,000	4,475,680,000	5,349,225,000
Not utilised	514,950,000	894,735,000	514,950,000	894,735,000
	<u>4,990,630,000</u>	<u>6,243,960,000</u>	<u>4,990,630,000</u>	<u>6,243,960,000</u>
	<u>13,290,177,626</u>	<u>11,655,607,370</u>	<u>4,990,630,000</u>	<u>6,243,960,000</u>

NOTES TO THE FINANCIAL STATEMENTS (Continued)

For the year ended 30th June, 2001

42. 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 ("Agreement") entered into by the Company and Mariner on 19th December, 1996 with Hang Lung Development Company Limited ("Hang Lung") and Atlas Limited ("Atlas") and is now the subject of a 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 developed into a hotel. The total consideration payable by Mariner for the purchase is HK\$1,070,000,000, in respect of which deposit and part payments in the total sum of HK\$321,000,000 were 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, for 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.

For the year ended 30th June, 2000, pleadings in the actions have been closed and both parties are requesting for further and better particulars of the pleadings. The parties are also seeking against each other for further and better recovery of specific documents. Mariner's claim, and Atlas and Hang Lung's counterclaim are contested. For the year ended 30th June, 2001, there is no material progress on the case. The Directors are of the opinion that likelihood of the conclusion of the case within a short period of time is remote at its current stage of legal proceedings. Accordingly, no provision for contingency has been made for the year ended 30th June, 2001.

43. OPERATING LEASE ARRANGEMENTS

At the balance sheet date, the Group had minimum lease receipts under non-cancellable operating leases which fall due as follows:

	2001 HK\$	2000 HK\$
Within one year	631,136,105	504,042,505
In the second to fifth years inclusive	831,666,917	614,700,885
After five years	101,828,294	149,860,045
	<u>1,564,631,316</u>	<u>1,268,603,435</u>

Operating lease receipts represent rentals receivable by the Group for certain of its investment properties.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

44. RELATED PARTY AND CONNECTED TRANSACTIONS

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

	2001 HK\$	2000 HK\$
(a) Related companies		
Management fee received therefrom (Note i)	<u>2,500,147</u>	<u>4,239,461</u>
(b) Associates		
Interest income received therefrom (Note ii)	218,363,343	154,529,649
Interest expenses paid thereto (Note ii)	<u>68,968,754</u>	<u>61,094,435</u>

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

- (c) On 5th June, 2001, the Company's wholly-owned subsidiaries, King Chance Development Limited and Sing-Ho Finance Company Limited, entered into agreements, respectively, with Osborne Investments Ltd. ("Osborne") for the acquisition of 500,000 shares in Great Land (HK) Limited ("Great Land"), being 50% of the issued shares thereof, at a consideration of HK\$80,427,192 and with Cliveden Finance Company Limited ("Cliveden") for taking up the assignment of a loan of HK\$19,792,891 due by Great Land to Cliveden on a dollar for dollar basis.

On the same day, the Company and its wholly-owned subsidiary, Sino Land Treasury Limited ("SL-Treasury") entered into agreements, respectively, with General Investments (Far East) Corp. ("General Investments") for the sale of one share in Will Rise Limited ("Will Rise"), being 50% of the issued shares thereof, at a consideration of HK\$77,253,982 and with Seaview Finance Company Limited ("Seaview") for the assignment to Seaview of a loan of HK\$30,160,931 due by Will Rise to SL-Treasury on a dollar for dollar basis.

The acquisition and disposal of shares and loans were completed on 8th June, 2001 in accordance with their respective terms.

Osborne, Cliveden, General Investments and Seaview are all wholly-owned subsidiaries of Boswell Holdings Ltd. ("Boswell"), in which Mr. Robert Ng Chee Siong, being 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.

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

44. RELATED PARTY AND CONNECTED TRANSACTIONS *(Continued)*

- (d) During the year, the Group made advances totalling HK\$25,174,888 to its 70% owned subsidiary, Firm Wise Investment Limited ("Firm Wise"), to finance the development cost of a property located at Hong Kong Inland Lot No. 8828. The advances are unsecured, bear interest at cost of funds plus a margin and have no fixed repayment term. 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.
- (e) On 25th August, 2000, Manigreat Company Limited ("Manigreat"), a wholly owned subsidiary of the Company, OPH e-Investment Pte. Ltd. ("OPH") and yhs-ecom Pte. Ltd. ("YHS") formed a joint venture company, Minard Investment Limited ("Minard"), in the proportion of 50:25:25 to invest in a minority interest in UniG Pte. Ltd. ("UniG"). OPH and YHS are connected parties to the Company by virtue of Mr. Ng Teng Fong being a substantial shareholder of the Company and the parent companies of OPH and YHS. UniG, incorporated in Singapore, is involved in real estate electronic commerce and electronic business.

The shareholders of Minard have provided proportional shareholder loans to Minard in accordance with their respective shareholding. As at 30th June, 2001, the loan advanced from Manigreat to Minard was HK\$6,350,000. The loan is unsecured and non-interest bearing with no fixed repayment term.

Details of the balances with associates as at the balance sheet date are set out in the balance sheets and notes in 20 and 32.

Notes:

- (i) Included in management fee was a fee of HK\$1,322,800 charged on a cost-plus-5% basis pursuant to the Administrative Services Agreement dated 24th July, 2000 between Sino Hotels (Holdings) Limited and the Company's wholly-owned subsidiary, Sino Administration Services Limited. Press announcement relating to the entering into the agreement by the parties was published on 25th July, 2000. The remaining management fee of HK\$1,177,347 was charged on a cost-plus-profit margin basis agreed between the Group and another related party, the amount of which is subject to public disclosure exemption under Rule 14.24(5) of the Listing Rules.
- (ii) 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, 2001

45. 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 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 share held	Issued share capital	Percentage of equity attributable to the Group %	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
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	Provision of financial services
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	Provision of financial services
Sing-Ho Security Services Limited	Hong Kong	Ordinary	HK\$2	100	Security services
Sino Administration Services Limited	Hong Kong	Ordinary	HK\$3	100	Administration services

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
Direct <i>(Continued):</i>					
Sino Estates Management Limited	Hong Kong	Ordinary	HK\$2	100	Building management
Sino Estates Services Limited	Hong Kong	Ordinary	HK\$20	100	Building management
Indirect:					
Ackerley Estates Limited	Hong Kong	Ordinary	HK\$20,000,000	100	Property investment
Alfaso Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Allways Success Development Limited	Hong Kong	Ordinary	HK\$100,000	60	Property trading and investment
Allways Success Finance Limited	Hong Kong	Ordinary	HK\$10	60	Mortgage loan financing
Apex Speed Limited	Hong Kong	Ordinary	HK\$2	100	Property development
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
Dragon View (HK) Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
e.Sino Company Limited	Hong Kong	Ordinary	HK\$2	100	Investment holding
Elegant Lane Limited	Hong Kong	Ordinary	HK\$2	100	Property development

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
Entrepreneurs United Land and Property Development Limited	Hong Kong	Ordinary	HK\$14,000,000	100	Property investment
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
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 Speed Development (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
Global Honest Finance Limited	Hong Kong	Ordinary	HK\$2	100	Mortgage loan financing
Golden Leaf Investment Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
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
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 trading and investment
Jade Pine Limited	Hong Kong	Ordinary	HK\$20,000	100	Property investment
Jade Queen Properties Limited	Hong Kong	Ordinary	HK\$2	100	Property trading and investment
Kingdom Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property development

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
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
Peace Success Development Limited	Hong Kong	Ordinary	HK\$2	100	Property trading
port88 Limited	Hong Kong	Ordinary	HK\$2	100	Internet services provider
Precious Treasure Pte Ltd *	Singapore	Ordinary	S\$20,000,000	100	Hotel operation and property investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
Pridegate (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property investment
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 development
Rich Tact International (CI) Limited	Cayman Islands/ Hong Kong	Ordinary	US\$1	100	Property 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 People's of Republic China	Ordinary	HK\$2	100	Building management

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
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
Super One Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property investment
Sunrise Investment Limited	Hong Kong	Ordinary	HK\$2	100	Property development
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

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

45. PRINCIPAL SUBSIDIARIES *(Continued)*

Name of subsidiary	Place of incorporation/ operation	Class of share held	Issued share capital	Percentage of equity attributable to the Group %	Principal activities
<i>Indirect (Continued):</i>					
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
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

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

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, 2001

46. 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 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 share held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Astoria Estate Management Company Limited	Hong Kong	Ordinary	—	50	50	Building management
Benefit Bright Limited	Hong Kong	Ordinary	—	42.5	42.5	Property development
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
Dramstar Company Limited	Hong Kong	Ordinary	—	22	22	Property trading
Empire Funds Limited	Hong Kong	Ordinary	—	50	50	Property trading
Energy Plaza Management Company Limited *	Hong Kong	Ordinary	15	29.5	44.5	Building management

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

46. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ operation	Class of share held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
Eternal Honest Finance Company Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing
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, investment and development
Jumbo Funds Limited	Hong Kong	Ordinary	—	50	50	Property investment
Kotachi Limited	Hong Kong	Ordinary	50	—	50	Property investment
Lead Bright Finance Limited	Hong Kong	Ordinary	—	20	20	Mortgage loan financing
Lead Bright Limited	Hong Kong	Ordinary	—	20	20	Property trading
Lead Talent Investment Limited	Hong Kong	Ordinary	—	50	50	Property trading and investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

46. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ operation	Class of share held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
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
Olympian City 1 (Project Management) Limited	Hong Kong	Ordinary	—	30	30	Project Management
Olympian City 2 (Project Management) Limited	Hong Kong	Ordinary	—	42.5	42.5	Project Management
Pariv Limited	Hong Kong	Ordinary	—	50	50	Property trading and investment
Perfect Finance Limited	Hong Kong	Ordinary	—	50	50	Mortgage loan financing
Prestige Development Limited	Hong Kong	Ordinary	—	50	50	Property trading and investment
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
Sea Lord Trading Company Limited *	Hong Kong	Ordinary	15	29.5	44.5	Property investment

NOTES TO THE FINANCIAL STATEMENTS *(Continued)*

For the year ended 30th June, 2001

46. PRINCIPAL ASSOCIATES *(Continued)*

Name of associate	Place of incorporation/ operation	Class of share held	Percentage of equity held			Principal activities
			Directly %	Indirectly %	Total %	
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

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