

NOTES ON THE ACCOUNTS

(Expressed in Hong Kong dollars)

1 PRINCIPAL ACCOUNTING POLICIES

(a) STATEMENT OF COMPLIANCE

These accounts have been prepared in accordance with all applicable Statements of Standard Accounting Practice and Interpretations issued by the Hong Kong Society of Accountants, accounting principles generally accepted in Hong Kong and the requirements of the Hong Kong Companies Ordinance. A summary of the principal accounting policies adopted by the Group is set out below.

(b) BASIS OF PREPARATION OF THE ACCOUNTS

The measurement basis used in the preparation of the accounts is historical cost modified by the revaluation of investment properties as explained in accounting policy 1(g)1 below.

(c) BASIS OF CONSOLIDATION

The consolidated accounts incorporate the accounts of Amoy Properties Limited and its subsidiaries made up to 30 June each year. The results of subsidiaries acquired or disposed of during the year are dealt with in the consolidated income statement from the effective dates of acquisition or to the effective dates of disposal respectively. All material intercompany transactions are eliminated on consolidation.

(d) SUBSIDIARIES

A subsidiary is a company in which the Group, directly or indirectly, holds more than half of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

In the Company's balance sheet, investments in subsidiaries are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each subsidiary individually. Any such provisions are recognised as an expense in the income statement.

(e) JOINTLY CONTROLLED ENTITIES

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group or Company and other parties, where the contractual arrangement establishes that the Group or Company and one or more of the other parties share joint control over the economic activity of the entity.

The Group's interests in jointly controlled entities are accounted for in the consolidated accounts under the equity method and are initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group's share of net assets of the jointly controlled entities. The consolidated income statement reflects the Group's share of the post-acquisition results of operations of the jointly controlled entities for the year.

In the Company's balance sheet, interests in jointly controlled entities are stated at cost less any provisions for diminution in value which is other than temporary as determined by the directors for each jointly controlled entity individually. The results of jointly controlled entities are included in the Company's income statement to the extent of dividends received and receivable at the balance sheet date.

1	PRINCIPAL ACCOUNTING POLICIES	<i>(continued)</i>
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(f) CAPITAL RESERVE OR GOODWILL ON CONSOLIDATION

Capital reserve or goodwill arising on consolidation represents the excess or deficit respectively of the fair value of the separable net assets of the subsidiaries and jointly controlled entities at the respective acquisition dates over the value of the consideration paid. Goodwill is written off directly to reserves in the year in which it arises. On disposal of a subsidiary or a jointly controlled entity, the attributable amount of capital reserve or goodwill is included in the calculation of the profit or loss on disposal.

(g) PROPERTIES

1. Investment properties

Investment properties are properties held as long term capital investments for rental purposes. They are stated at their open market value which is assessed annually by external qualified valuers, except for investment properties with an unexpired lease term of 20 years or less which are stated at amortised cost. Surpluses arising on revaluation are credited to the investment property revaluation reserve; deficits arising on revaluation are firstly set off against any previous revaluation surpluses on a portfolio basis and thereafter taken to the consolidated income statement. Revaluation surpluses or deficits are dealt with in the consolidated income statement upon disposal.

Properties under development are stated at cost, including borrowing costs capitalised, if any, and professional fees, less any provision for diminution in value which is other than temporary as considered necessary by the directors. A property developed for rental purposes is classified as an investment property when the construction work and development have been completed.

2. Properties under development for sale

Properties under development for sale are classified under current assets and stated at the lower of cost and net realisable value. Property development costs include borrowing costs capitalised, if any, and professional fees, plus attributable profit taken to date, less sums received from stakeholders. Net realisable value represents the estimated selling price as determined by reference to management estimates based on prevailing market conditions, less costs to be incurred in selling the property.

When a development property is sold in advance of completion, recognition of profit commences when the sale and purchase agreement has been signed. The profits recognised in a year are computed as a proportion of the total estimated profit to completion and such proportion is calculated by reference to the degree of completion for the property and the terms of payment for the properties pre-sold, with due allowance for contingencies.

1	PRINCIPAL ACCOUNTING POLICIES	<i>(continued)</i>
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(g) PROPERTIES *(continued)***3. Other fixed assets**

Other fixed assets are stated at cost less accumulated depreciation.

4. Leased assets

Leases of assets under which the lessee assumes substantially all the risks and benefits of ownership are classified as finance leases. Leases of assets under which the lessor has not transferred all the risks and benefits of ownership are classified as operating leases.

(i) Assets acquired under finance leases

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in fixed assets and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Finance charges implicit in the lease payments are charged to the consolidated income statement over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

(ii) Assets held for use in operating leases

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and, where applicable, are depreciated in accordance with the Group's depreciation

policies, as set out in accounting policy 1(h) below. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in accounting policy 1(j)1 below.

(h) DEPRECIATION**1. Investment properties**

No depreciation is provided for investment properties with an unexpired lease term of over 20 years as the valuation takes into account the state of each property at the date of valuation.

Depreciation is provided for investment properties with an unexpired lease term of 20 years or less. It is calculated to write off the carrying value on a straight line basis over the remaining term of the leases.

2. Properties under development

No depreciation is provided for properties under development.

3. Other fixed assets

Depreciation on other fixed assets is provided so as to write off the cost on a straight line basis over their estimated useful lives as follows:

Leasehold land	unexpired lease term
Buildings	50 years or unexpired lease term, whichever is shorter
Furniture and equipment	5-10 years
Motor vehicles	5 years

1	PRINCIPAL ACCOUNTING POLICIES	<i>(continued)</i>
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(i) BORROWING COSTS

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

(j) REVENUE RECOGNITION

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

1. Rental income

Rental income under operating leases is recognised on a straight line basis over the terms of the respective leases. Contingent rentals are recognised as income in the accounting period in which they are earned.

2. Disposal of investment properties

Revenue from disposal of investment properties is recognised upon signing of the sale and purchase agreements.

3. Interest income

Interest on bank deposits and mortgage loans is accrued on a time-apportioned basis on the principal outstanding and at the rate applicable.

4. Dividends

Dividends are recognised when the right to receive payment is established.

(k) DEFERRED TAXATION

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

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

(l) TRANSLATION OF FOREIGN CURRENCIES

Foreign currency transactions during the year are translated into Hong Kong dollars at the rates of exchange prevailing at the transaction dates. Monetary assets and liabilities denominated in foreign currencies and the results of overseas subsidiaries and jointly controlled entities are translated into Hong Kong dollars at the market rates of exchange ruling at the balance sheet date. Exchange gains and losses are dealt with in the consolidated income statement with the exception of those arising from the retranslation of opening foreign currency net investments which are dealt with in the exchange fluctuation reserve.

(m) RELATED PARTIES

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

2 TURNOVER AND PROFIT BEFORE TAXATION

The principal activities of the Company are investment holding and, through its subsidiaries, property leasing for rental income, property development for sale, car park management and property management.

As the majority of the activities of the Group during the year were carried out in Hong Kong, a geographical analysis of turnover and profit before taxation is not included.

An analysis of the Group's turnover and profit before taxation from the principal activities is as follows:

	Group	
	2001	2000
	\$Million	\$Million
(a) Turnover		
Property leasing	1,760.8	1,833.2
Disposal of investment properties	762.4	12.4
Interest income	225.2	375.7
	2,748.4	2,221.3
(b) Profit before taxation		
Property leasing	1,500.3	1,488.2
Disposal of investment properties	320.2	8.1
Net interest (expenses)/income	(31.1)	31.7
	1,789.4	1,528.0
Less: Administrative expenses	(86.3)	(90.6)
	1,703.1	1,437.4

3 OPERATING PROFIT

	Group	
	2001	2000
	\$Million	\$Million
Operating profit is arrived at after charging/(crediting):		
(a) Finance costs		
Interest on bank loans and other borrowings repayable within 5 years	429.0	401.5
Finance lease charges	62.9	64.6
Other ancillary borrowing costs	22.1	15.2
	514.0	481.3
Total borrowing costs		
Less: Borrowing costs capitalised (Note i)	(247.8)	(126.8)
	266.2	354.5
(b) Other items		
Auditors' remuneration	2.4	2.7
Cost of investment properties sold	442.2	4.3
Depreciation	28.5	28.7
Rental income less direct outgoings of \$325.3 million (2000: \$345.4 million)	(1,435.5)	(1,487.8)
Staff costs (Note ii)	109.0	101.6

Notes: (i) The borrowing costs have been capitalised at an average rate of 6.3% (2000: 7.2%) per annum for properties under development.

(ii) The amount relates to reimbursed cost for services provided to the Group in Hong Kong by employees of subsidiaries of Hang Lung Development Company, Limited and costs relating to staff employed outside Hong Kong by the Company's subsidiary.

4 EMOLUMENTS OF DIRECTORS AND SENIOR MANAGEMENT

Directors' emoluments disclosed pursuant to Sections 161 and 161A of the Hong Kong Companies Ordinance are as follows:

	Group	
	2001	2000
	\$Million	\$Million
Fees		
Independent Non-Executive Directors	0.2	0.2
Other directors	0.3	0.3
	0.5	0.5

Directors are not salaried employees of the Company, but receive directors' fees.

The number of directors whose emoluments fell within the following band is as follows:

	Number of directors	
	2001	2000
Nil — \$1,000,000	9	8

The emoluments of the five highest paid individuals in the Group being staff employed outside Hong Kong by the Company's subsidiary totalled \$0.9 million of which salaries and allowances and the Group's contribution to pension scheme amounted to \$0.8 million and \$0.1 million respectively. Emoluments of all five highest paid individuals in the Group fell within the band of nil to \$1,000,000.

5 TAXATION

	Group	
	2001	2000
	\$Million	\$Million
(a) Taxation in the consolidated income statement represents:		
Provision for Hong Kong profits tax at 16% for the year	153.1	169.4
Estimated underprovision/(overprovision) in respect of previous years	114.1	(2.4)
Share of jointly controlled entities' taxation	3.9	4.0
	271.1	171.0

	Group		Company	
	2001	2000	2001	2000
	\$Million	\$Million	\$Million	\$Million
(b) Taxation in the balance sheets represents:				
Provision for Hong Kong profits tax for the year	153.1	169.4	9.4	2.3
Estimated provision for Hong Kong profits tax relating to previous years	143.2	428.5	1.1	10.8
	296.3	597.9	10.5	13.1

(c) The Group is currently in discussion with the Inland Revenue Department regarding a dispute over the deductibility of certain interest payments in previous years' tax computations. As at the balance sheet date, the outcome of the said dispute remained undetermined and substantial tax provision has been made in the accounts on the grounds of prudence.

(d) Deferred taxation being future taxation arising from balancing charges upon disposal of investment properties is \$64.5 million (2000: \$48.1 million) has not been provided as its realisation is not assured beyond reasonable doubt.

6 NET PROFIT ATTRIBUTABLE TO ORDINARY SHAREHOLDERS

Net profit attributable to ordinary shareholders includes a profit of \$2,458.7 million (2000: \$2,160.2 million) which has been dealt with in the accounts of the Company.

7 DIVIDENDS

	2001	2000
	\$Million	\$Million
Preference dividend		
Dividend on the convertible cumulative preference shares of HK\$7,500 each issued in November 1993 which bear dividend at 5.5% per annum on a reference amount of US\$1,000 each		
Amount paid	18.1	18.1
Amount payable	30.2	30.1
	48.3	48.2
Ordinary dividends		
Interim dividend paid of 11 cents (2000: 10 cents) per share	318.0	289.4
Proposed final dividend of 29 cents (2000: 26 cents) per share	838.4	751.7
	1,156.4	1,041.1
	1,204.7	1,089.3

8 EARNINGS PER ORDINARY SHARE

- (a) The calculation of earnings per ordinary share is based on the net profit attributable to ordinary shareholders of \$1,383.7 million (2000: \$1,218.2 million) and the weighted average number of 2,891.1 million (2000: 2,893.7 million) ordinary shares in issue during the year.
- (b) No diluted earnings per ordinary share is presented for both years as the Company's convertible cumulative preference shares did not give rise to any dilution.

9 FIXED ASSETS

	Investment properties	Group Properties under development	Other fixed assets	Total	Company Investment properties
	\$Million	\$Million	\$Million	\$Million	\$Million
Cost or valuation:					
At 1 July 2000	23,233.4	4,707.3	21.1	27,961.8	43.0
Additions					
— through acquisition of subsidiaries	—	125.0	—	125.0	—
— others	213.7	1,123.3	4.3	1,341.3	—
Transfers	3,073.1	(3,073.1)	—	—	—
Disposals	(736.6)	—	—	(736.6)	—
Deficit on revaluation	(545.1)	—	—	(545.1)	—
At 30 June 2001	25,238.5	2,882.5	25.4	28,146.4	43.0
Accumulated depreciation:					
At 1 July 2000	185.9	—	3.3	189.2	—
Charge for the year	28.3	—	0.2	28.5	—
At 30 June 2001	214.2	—	3.5	217.7	—
Net book value:					
At 30 June 2001	25,024.3	2,882.5	21.9	27,928.7	43.0
At 30 June 2000	23,047.5	4,707.3	17.8	27,772.6	43.0
Cost or valuation of the fixed assets at 30 June 2001 is made up as follows:					
Valuation	24,906.5	—	—	24,906.5	43.0
Cost	332.0	2,882.5	25.4	3,239.9	—
	25,238.5	2,882.5	25.4	28,146.4	43.0

9 FIXED ASSETS *(continued)*

An analysis of net book value of investment properties is as follows:

	Group		Company	
	2001	2000	2001	2000
	\$Million	\$Million	\$Million	\$Million
Long leases in Hong Kong	17,582.5	18,044.7	—	—
Medium term leases in Hong Kong	5,100.0	4,958.0	43.0	43.0
Medium term leases outside Hong Kong	2,224.0	—	—	—
Short lease in Hong Kong	117.8	44.8	—	—
	25,024.3	23,047.5	43.0	43.0

An analysis of net book value of the Group's properties under development is as follows:

	2001	2000
	\$Million	\$Million
Long leases in Hong Kong	662.3	499.1
Medium term leases in Hong Kong	1,767.7	1,462.2
Medium term leases outside Hong Kong	452.5	2,746.0
	2,882.5	4,707.3

All investment properties of the Group held under long and medium term leases were revalued as at 30 June 2001 by Chesterton Petty Limited, chartered surveyors, on an open market value basis calculated on total rental income after taking into account reversionary income potential.

The net book value of investment properties of the Group of \$25,024.3 million (2000: \$23,047.5 million) includes an amount of \$2,103.0 million (2000: \$1,953.0 million) in respect of an asset held under a finance lease.

The Group leases out its investment properties under operating leases and subleases in respect of those under finance lease. The leases typically run for an initial period of two to five years, with an option to renew the leases after that date at which time all terms are renegotiated. Lease payments are usually adjusted regularly to reflect market rentals and include contingent rentals, calculated based on a percentage of the turnover of the tenants and the amount of contingent rentals received for the year is \$13.8 million (2000: \$10.2 million).

9 **FIXED ASSETS** *(continued)*

At 30 June 2001, total future minimum lease payments receivable under non-cancellable operating leases were as follows:

	Subleases	Group Other leases	Total	Company Other leases
	\$Million	\$Million	\$Million	\$Million
Within 1 year	124.4	1,402.4	1,526.8	1.3
After 1 year but within 5 years	255.3	1,586.4	1,841.7	1.1
After 5 years	308.1	255.7	563.8	0.2
	687.8	3,244.5	3,932.3	2.6

10 **INTEREST IN SUBSIDIARIES**

	Company	
	2001	2000
	\$Million	\$Million
Unlisted shares, at cost	3,893.6	3,893.6
Amounts due from subsidiaries	19,272.9	19,166.4
Amounts due to subsidiaries	(4,792.1)	(6,233.2)
	18,374.4	16,826.8

Details of principal subsidiaries are set out in note 28.

11 **INTEREST IN JOINTLY CONTROLLED ENTITIES**

	Group	
	2001	2000
	\$Million	\$Million
Share of net assets — unlisted shares	329.3	287.3
Amounts due from jointly controlled entities	1,119.7	1,068.4
	1,449.0	1,355.7

Details of jointly controlled entities are set in note 29.

12 INVESTMENTS

	Group	
	2001	2000
	\$Million	\$Million
Unlisted shares, at cost	0.1	0.1
Advances	13.8	15.8
	13.9	15.9

13 PROPERTIES UNDER DEVELOPMENT

Properties under development are located in Hong Kong and includes an amount of \$5,886.5 million (2000: \$1,101.1 million) which are not expected to be completed for sale within one year.

14 TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade debtors with the following ageing analysis:

	Group	
	2001	2000
	\$Million	\$Million
Within 1 month	34.0	27.4
1 - 3 months	4.8	3.7
Over 3 months	4.2	5.7
	43.0	36.8

The Group maintains a defined credit policy. An ageing analysis of trade debtors is prepared on a regular basis and is closely monitored to minimise any credit risk associated with receivables.

15 BANK LOANS AND OVERDRAFTS

At 30 June, bank loans and overdrafts were unsecured and repayable as follows:

	Group		Company	
	2001	2000	2001	2000
	\$Million	\$Million	\$Million	\$Million
Within 1 year or on demand	2,182.4	5,017.3	182.4	17.3
After 2 years but within 5 years (Note 17)	6,770.0	10.0	—	—
	8,952.4	5,027.3	182.4	17.3

16 TRADE AND OTHER PAYABLES

	Group		Company	
	2001	2000	2001	2000
	\$Million	\$Million	\$Million	\$Million
Land premium payable	—	1,021.0	—	—
Creditors and accrued expenses (Note i)	693.8	398.3	3.6	3.2
Deposits received (Note ii)	449.3	437.5	0.3	0.2
Amounts due to fellow subsidiaries	490.1	430.1	—	—
	1,633.2	2,286.9	3.9	3.4

Notes: (i) Creditors and accrued expenses include retention money payable of \$70.3 million (2000:\$70.4 million) which is not expected to be settled within one year.

(ii) Deposits received of \$445.1 million (2000: \$409.9 million) are not expected to be settled within one year.

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

	Group		Company	
	2001	2000	2001	2000
	\$Million	\$Million	\$Million	\$Million
Within 1 month	222.1	162.0	0.2	—
Over 3 months	390.9	76.7	0.3	0.3
	613.0	238.7	0.5	0.3

17 LONG TERM LIABILITIES

	Group	
	2001	2000
	\$Million	\$Million
Bank loans — unsecured (Note 15)	6,770.0	10.0
Finance lease obligations (Note 18)	848.8	882.6
Floating rate notes due 2004 (Note)	540.0	540.0
Land premium	0.7	0.7
	8,159.5	1,433.3

Note: The floating rate notes were issued by the Company's subsidiary and were listed in October 1999 on The Stock Exchange of Hong Kong Limited.

18 FINANCE LEASE OBLIGATIONS

Total minimum lease payments under finance lease and their present values are as follows:

	Present value of minimum lease payments	Interest expenses relating to future periods	Total minimum lease payments
	2001		
	\$Million	\$Million	\$Million
Amounts payable			
Within 1 year	33.8	60.8	94.6
After 1 year but within 5 years	206.2	212.3	418.5
After 5 years	642.6	159.7	802.3
	848.8	372.0	1,220.8
	882.6	432.8	1,315.4

18 FINANCE LEASE OBLIGATIONS *(continued)*

	Present value of minimum lease payments	Interest expenses relating to future periods	Total minimum lease payments
	2000		
	\$Million	\$Million	\$Million
Amounts payable			
Within 1 year	27.7	62.9	90.6
After 1 year but within 5 years	176.3	225.7	402.0
After 5 years	706.3	207.2	913.5
	882.6	432.9	1,315.5
	910.3	495.8	1,406.1

19 MINORITY INTERESTS

	Group	
	2001	2000
	\$Million	\$Million
Share of equity and reserves in subsidiaries	(125.4)	8.4
Contributions from minority shareholders	512.3	309.8
	386.9	318.2

20 SHARE CAPITAL

	2001	2000
	\$Million	\$Million
Authorised		
4,500,000,000 ordinary shares of \$1 each	4,500.0	4,500.0
200,000 5.5% convertible cumulative preference shares of \$7,500 each	1,500.0	1,500.0
	6,000.0	6,000.0
Issued and fully paid		
2,891,113,407 (2000: 2,891,113,407) ordinary shares of \$1 each	2,891.1	2,891.1
112,435 (2000: 112,435) 5.5% convertible cumulative preference shares of \$7,500 each	843.3	843.3
	3,734.4	3,734.4

Convertible Cumulative Preference Shares

As of balance sheet date, the number of outstanding convertible cumulative preference shares is 112,435 (2000: 112,435) with conversion rights to 86,125,210 (2000: 86,125,210) ordinary shares, exercisable at any time from 26 December 1993.

21 RESERVES

	Group		Company	
	2001	2000	2001	2000
	\$Million	\$Million	\$Million	\$Million
Capital reserves				
Share premium	8,464.5	8,464.5	8,464.5	8,464.5
Investment property revaluation reserve:				
At 1 July	6,991.1	5,898.7	38.8	42.2
(Deficit)/Surplus for the year	(401.9)	1,095.4	—	(3.4)
Surplus realised on property disposal	(304.0)	(3.0)	—	—
At 30 June	6,285.2	6,991.1	38.8	38.8
Capital reserve on consolidation:				
At 1 July	275.6	275.8	—	—
Amounts released to the consolidated income statement on disposal of investment properties	—	(0.2)	—	—
At 30 June	275.6	275.6	—	—
Revaluation reserve attributable to investment properties held by jointly controlled entities:				
At 1 July	116.7	197.0	—	—
Surplus/(Deficit) for the year	22.8	(80.3)	—	—
At 30 June	139.5	116.7	—	—
Capital redemption reserve:				
At 1 July	1,306.6	1,303.7	1,306.6	1,303.7
Repurchase of ordinary shares	—	2.9	—	2.9
At 30 June	1,306.6	1,306.6	1,306.6	1,306.6
Exchange fluctuation reserve arising on translation of overseas subsidiaries:				
At 1 July	16.2	5.5	—	—
During the year	(2.4)	10.7	—	—
At 30 June	13.8	16.2	—	—
	16,485.2	17,170.7	9,809.9	9,809.9
Retained profits				
At 1 July	6,572.2	6,410.4	2,526.4	1,422.6
Retained profit for the year	227.3	177.1	1,302.3	1,119.1
Aggregate consideration paid on ordinary shares repurchased	—	(15.3)	—	(15.3)
At 30 June	6,799.5	6,572.2	3,828.7	2,526.4
	23,284.7	23,742.9	13,638.6	12,336.3

21 RESERVES *(continued)*

	Group	
	2001	2000
	\$Million	\$Million
Statement of retained profits:		
Group companies	6,649.1	6,440.9
Jointly controlled entities	150.4	131.3
	6,799.5	6,572.2

The aggregate amount of the Company's reserves available for distribution to shareholders at 30 June 2001 was \$3,828.7 million (2000: \$2,526.4 million).

Revaluation surpluses arising from the valuation of investment properties are not subject to deferred taxation as the disposal of these assets at their carrying value would result in capital gains which are not subject to any material tax liability.

22 CONTINGENT LIABILITIES

At 30 June, contingent liabilities were as follows:

	Company	
	2001	2000
	\$Million	\$Million
Guarantees given to banks to secure banking facilities	9,314.9	9,344.2

23 CAPITAL COMMITMENTS

At 30 June, capital commitments not provided for in the accounts were as follows:

	Group	
	2001	2000
	\$Million	\$Million
Contracted for	213.7	732.3

24 PENSION SCHEME AND COSTS

Services are provided to the Group by employees of subsidiaries of Hang Lung Development Company, Limited which are covered by the provident fund scheme operated for Hang Lung Group.

Staff in the Company's subsidiary operating in Shanghai, the People's Republic of China ("PRC"), are members of a retirement benefits scheme (the "PRC RB Scheme") operated by the local municipal

government in the PRC. The only obligation of the PRC subsidiary is to contribute a certain percentage of their payroll to the PRC RB Scheme to fund the retirement benefits. The local municipal government in the PRC undertakes to assume the retirement benefits obligations of all existing and future retired employees of the PRC subsidiary. Total contributions made by the PRC subsidiary for the year amounted to \$1.3 million (2000: \$0.4 million).

25 RELATED PARTY TRANSACTIONS

- (a) Lockoo Limited and Kelvey Limited, both wholly-owned subsidiaries of the Company purchased from Hang Lung Development Company, Limited ("HLD") and its wholly-owned subsidiary, Rosper Limited, their interests in properties at Blue Pool Road, Happy Valley, Hong Kong ("the Properties"), for a cash consideration determined on the basis of independent valuation of approximately \$125 million on 23 November 2000 for residential development. The Properties are old three-storeyed residential buildings and cover a total site area of approximately 2,236 square metres.
- (b) During the financial year ended 30 June 2001, Hang Lung (Administration) Limited ("HLAL") continued to lease from Rioloy Limited ("Rioloy"), a wholly-owned subsidiary of the Company, office premises situate at 26/F to 29/F of Standard Chartered Bank Building, Central. During the period from 15 August 2000 to 30 June 2001, HLAL leased from Rioloy office premises situate at 24/F of Standard Chartered Bank Building. HLAL is a wholly-owned subsidiary of HLD and as at balance sheet date, the Company is a 60% owned subsidiary of HLD. Income received and receivable therefrom by the Group for the financial year ended 30 June 2001 is \$12.9 million (2000: \$8.7 million). The transactions were negotiated in the ordinary and usual course of business of the parties thereto and on normal commercial terms.

25 RELATED PARTY TRANSACTIONS *(continued)*

- (c) There are three monthly licences between HLAL and Hang Lick Company Limited, Pocaliton Limited and Hang Chui Company Limited, all wholly-owned subsidiaries of the Company, for the use of the exhibition hall of Queensway Plaza, a unit on Ground Floor of Vienna Mansion, Causeway Bay and some office spaces of Hang Lung Centre respectively for office and commercial use, on a month to month basis. HLAL is a wholly-owned subsidiary of HLD and as at balance sheet date, the Company is a 60% owned subsidiary of HLD. Total amount received and receivable from HLAL under the three licences for the financial year ended 30 June 2001 is \$3.5 million (2000 : \$3.5 million). All of the above licences were negotiated in the ordinary and the usual course of business of the parties thereto and on normal commercial terms.
- (d) Hang Lung Treasury Limited (“HLT”) continued to provide a \$180 million back-to-back loan to Amoy Treasury Limited, a wholly-owned subsidiary of the Company. HLT is a wholly-owned subsidiary of HLD and as at balance sheet date, the Company is a 60% owned subsidiary of HLD. The amount of loan outstanding was \$180 million (2000 : \$180 million) at the end of the year. The loan is unsecured, bears interest at the actual interest cost payable by HLT to financial institutions unrelated to the Group, and is repayable on demand.
- (e) During the year, Kornhill Recreation Club Limited, a wholly-owned subsidiary of the Company paid a fixed sum fee of \$0.9 million (2000 : \$0.9 million) to a fellow subsidiary, Grand Hotel Group Limited for the provision of administrative services to Kornhill Recreation Club.
- (f) During the year, the Group paid \$86.1 million (2000 : \$82 million) to certain wholly-owned subsidiaries of HLD for the Group’s share of administrative and rental services provided by these fellow subsidiaries. The amount payable is mutually agreed by both parties after taking into account of the volume of activities shared by the Group.
- (g) The Group has contributed funds as capital investment, to a jointly controlled entity for the development of The Grand Gateway, a property project in Shanghai and the amount outstanding at the end of the year was \$1,095.8 million (2000 : \$1,054.4 million).
- (h) A fellow subsidiary of the Company has contributed funds as capital investment, to a subsidiary of the Company for the development of Plaza 66, a property project in Shanghai. The amount outstanding at the end of the year was \$312.3 million (2000 : \$253.2 million).

26 ULTIMATE HOLDING COMPANY

The directors consider the ultimate holding company at 30 June 2001 to be Hang Lung Development Company, Limited which is incorporated in Hong Kong.

27 COMPARATIVE FIGURES

Current year analysis of the Group's profit before taxation from principal activities disclosed in note 2(b) is before deduction of administrative expenses as this is considered a better presentation of the Group's results. Accordingly, comparative figures for this note have been reclassified to conform with this year's presentation.

28 PRINCIPAL SUBSIDIARIES

AT 30 JUNE 2001

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Amoy International Treasury Limited	8	100	100	Financial services	British Virgin Islands
Amoy Properties (China) Limited*	2	100	100	Investment holding	Hong Kong
Amoy Treasury Limited*	2	100	100	Financial services	Hong Kong
Amoy Treasury Services Limited	2	100	—	Investment holding	Hong Kong
Antonis Limited	10,000	100	100	Property leasing	Hong Kong
AP City Limited*	2	100	—	Property leasing	Hong Kong
AP Joy Limited*	2	100	—	Property development	Hong Kong
AP Properties Limited*	20	85	—	Property development	Hong Kong
AP Success Limited*	2	100	—	Property leasing	Hong Kong
AP Universal Limited	2	100	—	Property leasing	Hong Kong
AP Win Limited	1,000,000	100	—	Property leasing	Hong Kong
AP World Limited*	2	100	100	Property development	Hong Kong
APW Finance Limited*	2	100	100	Financial services	Hong Kong
Bonna Estates Company Limited*	1,000,000	100	100	Property leasing	Hong Kong
Caddo Enterprises, Limited	4,000,000	100	—	Property leasing	Hong Kong
Carmana Limited	2	100	—	Property leasing	Hong Kong
Chi Pan Company, Limited	100,000	100	—	Property management	Hong Kong
Cititop Limited*	2	100	—	Property development	Hong Kong
Country Bond Development Limited*				Investment holding	Hong Kong
'A' shares	990	79.8	—		
'B' share	1	100	—		
Dokay Limited	2	100	—	Property leasing	Hong Kong

28 PRINCIPAL SUBSIDIARIES *(continued)*

AT 30 JUNE 2001

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Easegood Enterprises Limited*	2	100	—	Investment holding	Hong Kong
Fu Yik Company Limited	3	100	—	Property leasing	Hong Kong
Gala Ruby Limited	2	100	100	Investment holding	Hong Kong
Gowily Limited*	2	100	—	Property leasing	Hong Kong
Hang Chui Company Limited*	2	100	—	Property leasing	Hong Kong
Hang Fine Company Limited*	200	100	—	Property leasing	Hong Kong
Hang Kwok Company Limited	10,000	100	—	Property leasing	Hong Kong
Hang Lick Company Limited	10,000	100	—	Property leasing	Hong Kong
Hang Lung Park-In Limited*	2	100	—	Property leasing	Hong Kong
Lakefield Estates Company Limited*	4	100	—	Property leasing	Hong Kong
Lockoo Limited	1,000,002	100	—	Property leasing	Hong Kong
Mansita Limited	2	100	—	Property leasing	Hong Kong
Ottringham Limited	20	100	—	Property leasing	Hong Kong
Palex Limited	2	100	—	Property leasing	Hong Kong
Pocaliton Limited*	2	100	—	Property leasing	Hong Kong
Rago Star Limited*	2	100	—	Property leasing	Hong Kong
Rioly Limited*	2	100	—	Property leasing	Hong Kong
Ronhero Limited	2	100	—	Property leasing	Hong Kong
Stocket Limited*	2	100	100	Property leasing	Hong Kong
Wai Luen Investment Company, Limited	100,000	100	—	Property leasing	Hong Kong
Wililoy Limited	2	100	—	Property leasing	Hong Kong

28 PRINCIPAL SUBSIDIARIES *(continued)*

AT 30 JUNE 2001

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Yangli Limited	2	100	—	Property leasing	Hong Kong
Zarat Limited	2	100	—	Property leasing	Hong Kong

Equity Joint Venture in The People's Republic of China	Registered Capital (US\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Shanghai Hang Bond Property Development Co., Ltd.*	167,004,736	79	—	Property leasing	The People's Republic of China

* Audited by KPMG

The above list gives the principal subsidiaries of the Group which in the opinion of the directors, principally affect the profit and assets of the Group.

29 JOINTLY CONTROLLED ENTITIES

AT 30 JUNE 2001

Company	Issued Share Capital (HK\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Country Link Enterprises Limited*	10,000	52.5#	—	Investment holding	Hong Kong
Ease Smart Development Limited*				Investment holding	Hong Kong
'A' share	1	—	—		
'B' share	1	100	—		
Star Play Development Limited	3	33.3	—	Property leasing	Hong Kong

Equity Joint Venture in The People's Republic of China	Registered Capital (US\$)	% Held by The Group	% Held by The Company	Activity	Place of Incorporation and Operations
Shanghai Kong Hui Property Development Co., Ltd.*	165,000,000	47.3#	—	Property development & leasing	The People's Republic of China

* Audited by KPMG

Represents the Group's attributable interest in the commercial portion of the properties held either directly or indirectly by the jointly controlled entity.