

# Notes to the Accounts

31st July, 2001

## 1. PRINCIPAL ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these accounts are set out below:

### (a) Basis of accounting

These accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants. The accounts are prepared under the historical cost convention as modified by the revaluation of investment properties and properties under development held for investment potential.

### (b) Basis of consolidation

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st July. The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account 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 are eliminated on consolidation.

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill or capital reserve which was not previously charged or recognised in the consolidated profit and loss account.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

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### (c) Subsidiaries

A subsidiary is a company in which the Company, directly or indirectly, controls more than 50% of its voting power or issued share capital or controls the composition of its board of directors.

Interests in subsidiaries are stated in the Company's balance sheet at cost unless, in the opinion of the directors, there have been diminution other than temporary in values, in which case they are written down to values determined by the directors. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

### (d) Associated companies

An associated company is a company, not being a subsidiary or a jointly controlled entity, in which the Group has a long-term interest of not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's share of the post-acquisition results and reserves of associated companies is included in the consolidated profit and loss account and consolidated reserves, respectively. The Group's investments in associated companies are stated in the consolidated balance sheet at the Group's share of the net assets under the equity method of accounting less any provisions for diminution in values, other than temporary in nature, deemed necessary by the directors, plus goodwill arising on the acquisition of interests in the associated companies in so far as it has not already been written off or amortised.

Certain interest on loans borrowed for investments in associated companies engaged in property development is capitalised in the Group's share of the net assets of the associated companies.

# Notes to the Accounts

31st July, 2001

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (e) Jointly controlled entities

A jointly controlled entity is a joint venture which involves the establishment of a corporation, partnership or other form of entity in which each venturer has an interest. The jointly controlled entity operates in the same way as other enterprises, except that contractual arrangements between the venturers establish joint control over the economic activities of the entity.

The Group's share of the post-acquisition results and reserves of jointly controlled entities is included in the consolidated profit and loss account and consolidated reserves, respectively. Where the profit sharing ratios are different from the Group's equity interests therein, the share of post-acquisition results of the jointly controlled entities is determined based on the agreed profit sharing ratios. The Group's interests in jointly controlled entities are stated in the consolidated balance sheet at the Group's share of net assets under the equity method of accounting less any provisions for diminution in values, other than temporary in nature, deemed necessary by the directors.

### (f) Goodwill

Goodwill arising on consolidation of subsidiaries and on acquisition of associated companies represents the excess of the purchase consideration paid for subsidiaries or associated companies over the fair values ascribed to the net underlying assets acquired at the date of acquisition. Goodwill arising on the acquisition of associated companies is amortised on the straight-line basis over a period of forty years, less any provision for diminution in value, other than temporary in nature. Goodwill arising on the acquisition of subsidiaries is eliminated against reserves at the time of acquisition.

### (g) Capital reserve

The capital reserve arising on consolidation of subsidiaries and on acquisition of associated companies represents the excess of the fair values ascribed to the net underlying assets of subsidiaries or associated companies acquired at the date of acquisition over the purchase consideration paid for subsidiaries or associated companies.

### (h) Fixed assets and depreciation

Fixed assets are stated at cost less accumulated 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 fixed assets have been put into operation, such as repairs and maintenance, is normally charged to the profit and loss account 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 fixed assets, the expenditure is capitalised as an additional cost of the fixed assets.

# Notes to the Accounts

31st July, 2001

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (h) Fixed assets and depreciation (continued)

Depreciation is calculated on a straight-line basis to write off the cost of each asset, less estimated residual value, over its estimated useful life. The principal annual rates used for this purpose are as follows:

Leasehold improvements	20%
Furniture, fixtures and equipment	18%–20%
Motor vehicles	18%–25%
Computers	18%–25%

The carrying amounts of fixed assets are reviewed regularly to assess whether their recoverable amounts have been declined below their carrying amounts. Expected future cash flows have not been discounted in determining the recoverable amount.

The gain or loss on disposal or retirement of a fixed asset recognised in the profit and loss account is the difference between the sales proceeds and the carrying amount of the relevant asset.

### (i) Investment properties

Investment properties are interests in land and buildings in respect of which construction work and development have been completed and which are intended to be held on a long-term basis for their investment potential, any rental income being negotiated at arm's length. Such properties held on leases with unexpired periods of greater than 20 years are not depreciated and are stated at their open market values on the basis of annual professional valuations. Changes in the values of investment properties are dealt with as movements in the investment properties revaluation reserve. If the total of this reserve is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account.

Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Upon the disposal of an investment property, the relevant portion of the investment properties revaluation reserve realised in respect of previous valuations is released to the profit and loss account.

### (j) Properties under development

- (a) Properties under development held for investment potential are stated at their open market values on the basis of annual professional valuations.

Changes in the values of such properties under development which have been revalued are dealt with as movements in the revaluation reserve of properties under development held for investment potential. If the total of this reserve is insufficient to cover a deficit, the excess of the deficit is charged to the profit and loss account. On completion, the properties are transferred to investment properties.

# Notes to the Accounts

31st July, 2001

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (j) Properties under development (continued)

Where a deficit has previously been charged to the profit and loss account and a revaluation surplus subsequently arises, this surplus is credited to the profit and loss account to the extent of the deficit previously charged.

Upon the disposal of a property under development which has been revalued, the relevant portion of the revaluation reserve of properties under development held for investment potential realised in respect of previous valuations is released to the profit and loss account.

- (b) Properties under development held for other than investment potential are stated at cost less any provision for diminution in value, other than temporary in nature, considered necessary by the directors, if pre-sale of properties has not commenced.

Where pre-sale of properties has commenced, properties under development held for other than investment potential are stated at cost plus attributable profits (recognised on the basis set out in note 1 (m)(b)) less sales instalments received and receivable.

Cost of properties in the course of development comprises land cost, fees for land use rights, construction costs, financing and other related expenses capitalised during the development period.

### (k) Completed properties developed for sale

Completed properties developed for sale are stated at the lower of cost and net realisable value. Net realisable value is estimated by the directors based on prevailing market conditions. Cost is determined by an apportionment of the total land and building costs attributable to unsold properties.

### (l) Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the leasing company are accounted for as operating leases. Payments made under operating leases are credited or charged to the profit and loss account on a straight-line basis over the lease periods.

### (m) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

- (a) sale of completed properties developed for sale is recognised upon the establishment of a binding contract in respect of the sale of properties or upon the issue of a completion certificate by the relevant government authorities, whichever is later;

# Notes to the Accounts

31st July, 2001

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (m) Revenue recognition (continued)

- (b) the recognition of revenues and profits from pre-sales of properties under development commences when a binding contract in respect of the sale of properties has been executed. The revenues and profits recognised in a year are a proportion of the total revenues and profits expected on completion, the proportion used being the lower of:
  - (i) the percentage of the total construction costs incurred at the end of the year to the estimated total construction costs on completion (with due allowance for contingencies); and
  - (ii) the proportion of the actual cash received to the total sales consideration.

where purchasers fail to pay the balances of the purchase price on completion and the Group exercises its right to resell the property, sales deposits received in advance of completion are forfeited and credited to operating profits and any profits recognised so far are reversed;

- (c) rental income is recognised in the period in which the properties are let out and on a straight-line basis over the lease term;
- (d) interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the effective interest rates applicable; and
- (e) management fee income is recognised when services are rendered.

### (n) Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of an asset which takes a substantial period of time to get ready for its intended use or sale (“qualifying asset”) are capitalised as part of the cost of the asset. The capitalisation rates for the year are based on the specific attributable borrowing costs of the borrowings. Investment income earned on funds borrowed for the purpose of obtaining a qualifying asset is deducted from the attributable borrowing costs incurred. All other borrowing costs are charged to the profit and loss account in the year in which they are incurred.

### (o) Pension costs

The Group operated a defined contribution pension scheme (the “Retirement Scheme”) for its employees, the assets of which were held separately from those of the Group in an independently administered fund. Contributions to the scheme were made based on a percentage of the eligible employees’ salaries and were charged to the profit and loss account as they became payable in accordance with the rules of the scheme. When an employee left the scheme prior to vesting fully in the employer contributions, the ongoing contributions payable by the Group might be reduced by the relevant amount of forfeited contributions.

**1. PRINCIPAL ACCOUNTING POLICIES (continued)****(o) Pension costs (continued)**

A mandatory provident fund scheme (the "MPF Scheme") has been established under the Hong Kong Mandatory Provident Fund Schemes Ordinance in December 2000 to substitute for the Retirement Scheme. The Group's Hong Kong employees are compulsorily required to join the MPF Scheme. Both the Group and the employees are required to contribute 5% of each individual's relevant income with a maximum amount of HK\$1,000 per month as a mandatory contribution. Employer's mandatory contribution are 100% vested in the employees as soon as they are paid to the MPF Scheme. Employees may also elect to contribute more than the minimum as a voluntary contribution.

Contributions for the above scheme are charged to the profit and loss account as they become payable in accordance with the rules of the scheme. The assets of the scheme are held separately from those of the Group and managed by independent professional fund managers.

**(p) Foreign currencies**

Foreign currency transactions are recorded at the applicable rates of exchange ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the applicable rates of exchange ruling at that date. Exchange differences arising in these cases are dealt with in the profit and loss account.

On consolidation, the accounts of subsidiaries, associated companies and jointly controlled entities operating outside Hong Kong are translated to Hong Kong dollars at the applicable rates of exchange ruling at the balance sheet date. The resulting translation differences are included in the exchange fluctuation reserve.

**(q) Deferred taxation**

Deferred taxation is provided, using the liability method, on all significant timing differences to the extent it is probable that the liability will crystallise in the foreseeable future. A deferred tax asset is not recognised until its realisation is assured beyond reasonable doubt.

**(r) Cash equivalents**

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

**(s) Related parties**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decision. Parties are also considered to be related if they are subject to common control or common significant influence.

# Notes to the Accounts

31st July, 2001

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

### (t) Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year. In particular, comparatives have been adjusted to take into account the requirements of the following revised Statement of Standard Accounting Practice (“SSAP”):

SSAP 14 (Revised) — Leases

There are no changes in accounting policy that affect operating profit resulting from the adoption of the above standard in these accounts, as the Group was already following the recognition and measurement principles in that standard.

## 2. RELATED PARTY TRANSACTIONS

In addition to the related party transactions detailed elsewhere in the accounts, the Group had the following material transactions with related parties during the year.

		Group	
		2001	2000
		HK\$'000	HK\$'000
Interest income from an associated company	(a)	45,088	26,646
Interest expense on loans from a substantial shareholder	(b)	1,703	—

(a) Interest is charged on advance to an associated company at Hong Kong prime rate plus 2% per annum. Details of the advance are included in note 18.

(b) Interest is charged on loans from a substantial shareholder granted during the year. Details of the loans granted are included in note 24.

# Notes to the Accounts

31st July, 2001

## 3. REVENUES AND TURNOVER

The Group is principally engaged in property development and property investment. Turnover comprises proceeds from the sales of completed properties developed for sale and rental income from investment properties. Revenues recognised during the year are as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
Turnover		
Sales of completed properties developed for sale	76,349	134,639
Rental income from investment properties	<u>85,394</u>	<u>56,954</u>
	<u>161,743</u>	<u>191,593</u>
Other revenues		
Management fee income	19,099	14,610
Interest income from		
Bank deposits	2,360	5,281
An associated company	45,088	26,646
Others	<u>1,777</u>	<u>5,038</u>
	<u>68,324</u>	<u>51,575</u>
	<u>230,067</u>	<u>243,168</u>

### Segment information

An analysis of the Group's turnover and operating profit/(loss) by business activity is as follows:

	Turnover		Operating Profit/(Loss)	
	2001	2000	2001	2000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of completed properties	76,349	134,639	(5,492)	(768)
Rental	<u>85,394</u>	<u>56,954</u>	<u>79,099</u>	<u>17,702</u>
	<u>161,743</u>	<u>191,593</u>	<u>73,607</u>	<u>16,934</u>

No geographical analysis is presented as over 90% of the Group's turnover and operating profit are derived from activities in the Mainland of the People's Republic of China (the "PRC").



# Notes to the Accounts

31st July, 2001

## 4. OTHER OPERATING INCOME/(EXPENSES), NET

	Group	
	2001	2000
	HK\$'000	HK\$'000
Gain on disposal of a jointly controlled entity	—	6,610
Write-back of provision/(provision) for completed properties for sale to net realisable value	5,000	(10,500)
Write-back of provision/(provision) for properties under development held for other than investment potential	3,982	(127)
	<u>8,982</u>	<u>(4,017)</u>

## 5. OPERATING PROFIT

	Group	
	2001	2000
	HK\$'000	HK\$'000

This is arrived at after charging/(crediting):

Auditors' remuneration		
— current year	650	550
— underprovision in prior year	—	200
Cost of completed properties developed for sale recognised	81,841	145,907
Depreciation	1,897	2,961
Outgoings in respect of investment properties	22,271	14,761
Guaranteed rental returns	184	2,603
Operating lease rentals in respect of land and buildings (note (a))	443	341
Staff costs (note (b))	13,406	11,574
Amortisation of goodwill arising on acquisition of an associated company	1,156	1,156
(Write-back of provision)/provision for doubtful debts	(3,211)	449
Loss on disposal of fixed assets	508	916
Foreign exchange (gains)/losses, net	(16)	93

### (a) Operating lease rentals in respect of land and buildings

	Group	
	2001	2000
	HK\$'000	HK\$'000
Operating lease rentals in respect of land and buildings	2,216	1,707
Capitalised in properties under development	(1,773)	(1,366)
	<u>443</u>	<u>341</u>

# Notes to the Accounts

31st July, 2001

## 5. OPERATING PROFIT (continued)

### (b) Staff costs

	2001 HK\$'000	2000 HK\$'000
Staff costs	26,433	26,035
Capitalised in properties under development	<u>(13,027)</u>	<u>(14,461)</u>
	<u>13,406</u>	<u>11,574</u>

## 6. FINANCE COSTS

	2001 HK\$'000	2000 HK\$'000
Interest expenses on:		
Bank loans due within five years	18,351	15,766
Amounts due to minority shareholders	517	6,238
Convertible guaranteed bonds and convertible note	89,181	79,819
Loans from a substantial shareholder	1,703	—
Provision for premium on convertible note redemption	38,333	20,000
Bank charges	<u>7,035</u>	<u>—</u>
	155,120	121,823
Less:		
Amounts capitalised in properties under development	(12,708)	(25,051)
Amounts capitalised in associated companies engaged in property development	<u>(2,439)</u>	<u>(5,097)</u>
	<u>139,973</u>	<u>91,675</u>

To the extent funds are borrowed generally and used for the purpose of financing certain properties under development, the capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation as part of the costs of these properties under development was 5.8% (2000: 5.8%) per annum.

## 7. SHARE OF LOSSES OF ASSOCIATED COMPANIES

Included in the share of losses of associated companies were share of associated companies' revaluation deficits on investment properties and properties under development held for investment potential totalling HK\$37,817,000 (2000: HK\$24,568,000).

## 8. SHARE OF LOSSES OF JOINTLY CONTROLLED ENTITIES

Prior year's share of losses of jointly controlled entities represented share of provision for properties under development of a jointly controlled entity amounted to HK\$36,790,000.

# Notes to the Accounts

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## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

### (a) Directors' emoluments

	Group	
	2001 HK\$'000	2000 HK\$'000
Fees	128	160
Basic salaries, allowances and benefits in kind	<u>7,812</u>	<u>3,677</u>
	7,940	3,837
Capitalised in properties under development	<u>(6,352)</u>	<u>(3,070)</u>
	<u>1,588</u>	<u>767</u>

Directors' emoluments paid to independent non-executive directors during the year were fees of HK\$128,000 (2000: HK\$160,000).

The emoluments of the directors fell within the following bands:

	Group	
	2001 Number of directors	2000 Number of directors
HK\$Nil – HK\$1,000,000	13	7
HK\$1,000,001 – HK\$1,500,000	2	—
HK\$1,500,001 – HK\$2,000,000	1	2
HK\$2,500,001 – HK\$3,000,000	<u>1</u>	<u>—</u>
	<u>17</u>	<u>9</u>

There was no arrangement under which a director waived or agreed to waive any emolument.

# Notes to the Accounts

31st July, 2001

## 9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (continued)

### (b) Employees' emoluments

The five highest paid employees during the year included 4 (2000: 2) directors, details of whose emoluments are set out above. The details of the emolument of the remaining 1 (2000: 3) highest paid employee are set out below.

	Group	
	2001 HK\$'000	2000 HK\$'000
Basic salaries, allowances and benefits in kind	933	2,029
Capitalised in properties under development	(747)	(1,623)
	<u>186</u>	<u>406</u>

The emolument of the non-director, highest paid employee fell within the band of HK\$Nil to HK\$1 million.

## 10. PENSION COSTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Pension scheme contributions	<u>446</u>	<u>289</u>

The Group's contributions for the year were reduced by HK\$43,894 (2000: reduced by HK\$110,478) in respect of forfeited contributions. At 31st July, 2001, there were no forfeited contributions (2000: HK\$Nil) available to the Group to reduce its contributions to the pension scheme in future years.

## 11. TAXATION CREDIT

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit arising in Hong Kong during the year (2000: HK\$Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of taxation prevailing in places in which the Group operates.

	Group	
	2001 HK\$'000	2000 HK\$'000
Taxation credit for the year in respect of taxation in the Mainland of the People's Republic of China ("PRC")		
Over-provision of taxation in prior years	2,068	—
Write-back of provision for taxation in prior years (note)	—	120,740
	<u>2,068</u>	<u>120,740</u>

*Note:* In 2000, the directors finalised the cost of sales of certain properties previously sold by a PRC subsidiary and considered that the Foreign Enterprise Income Tax provision previously made was no longer necessary. Consequently, the amount was fully written back.

# Notes to the Accounts

31st July, 2001

## 11. TAXATION CREDIT (continued)

In connection with listing of the Company on The Stock Exchange of Hong Kong Limited (currently on the Main Board) (the "Listing"), tax indemnity deeds were signed on 12th November, 1997, pursuant to which Lai Sun Development Company Limited ("LSD") has undertaken to indemnify the Group in respect of certain potential PRC income taxes and land appreciation taxes ("LAT") payable or shared by the Group in consequence of the disposal of any of the property interests attributable to the Group through its subsidiaries and its associated companies as at 31st October, 1997 ("Property Interests"). These taxation indemnities given by LSD apply in so far as such taxation is applicable to the difference between (i) the value of the Property Interests in the valuation thereon by Chesterton Petty Limited as at 31st October, 1997 (the "Valuation") and (ii) the aggregate costs of such Property Interests incurred up to 31st October, 1997 together with the amount of unpaid land costs, unpaid land premium and unpaid costs of resettlement, demolition and public utilities and other deductible costs in respect of the Property Interests.

The indemnity deeds assume that the Property Interests are disposed of at the value attributed to them in the Valuation, computed by reference to the rates and legislation governing PRC income tax and LAT prevailing at the time of the Valuation. The indemnities given by LSD do not cover (i) new properties acquired by the Group subsequent to the Listing; (ii) any increase in the relevant tax which arises due to an increase in tax rates or changes to the legislation prevailing at the time of the Listing; and (iii) any claim to the extent that provision for deferred taxation on the revaluation surplus has been made in the calculation of the adjusted net tangible asset value of the Group as set out in the Company's prospectus dated 18th November, 1997.

The Group had no LAT payable during the year. No income tax payable by the Group was indemnifiable by LSD during the year.

## 12. (LOSS)/PROFIT ATTRIBUTABLE TO SHAREHOLDERS AND RETAINED

Loss attributable to shareholders is dealt with in the accounts of the Company to the extent of a loss of HK\$121,016,000 (2000: loss of HK\$57,902,000).

## 13. (LOSS)/EARNINGS PER SHARE

The calculation of basic (loss)/earnings per share is based on the following:

	2001 HK\$'000	2000 HK\$'000
(Loss)/profit attributable to shareholders	<u>(164,619)</u>	<u>11,540</u>
	2001 '000	2000 '000
Weighted average number of ordinary shares in issue during the year	<u>2,172,631</u>	<u>1,047,056</u>

Diluted loss per share for current year has not been shown as potential shares have an anti-dilutive effect on the basic loss per share.

## Notes to the Accounts

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## 14. FIXED ASSETS

## Group

	31st July, 2000 HK\$'000	Additions HK\$'000	Disposals HK\$'000	31st July, 2001 HK\$'000
Cost:				
Leasehold improvements	706	31	(706)	31
Furniture, fixtures and equipment	13,008	380	(334)	13,054
Motor vehicles	1,989	387	(732)	1,644
Computers	1,312	187	(60)	1,439
	<u>17,015</u>	<u>985</u>	<u>(1,832)</u>	<u>16,168</u>
Accumulated depreciation:				
Leasehold improvements	141	74	(212)	3
Furniture, fixtures and equipment	6,812	1,335	(242)	7,905
Motor vehicles	1,406	209	(451)	1,164
Computers	486	279	(33)	732
	<u>8,845</u>	<u>1,897</u>	<u>(938)</u>	<u>9,804</u>
Net book value	<u>8,170</u>			<u>6,364</u>

## 15. INVESTMENT PROPERTIES

	Group	
	2001 HK\$'000	2000 HK\$'000
At beginning of year, at valuation	2,972,060	2,956,000
Additions	17,663	9,764
Transferred (to)/from completed properties developed for sale	(6,418)	24,300
Deficit on revaluation	<u>(29,305)</u>	<u>(18,004)</u>
At end of year, at valuation	<u>2,954,000</u>	<u>2,972,060</u>

At 31st July, 2001, the investment properties were revalued by Chesterton Petty Limited, independent chartered surveyors, on an open market value basis.

The investment properties are situated in the PRC and are held under medium term leases.

At 31st July, 2001, certain investment properties with carrying value amounting to approximately HK\$2,954,000,000 (2000: HK\$1,369,243,000) have been pledged to banks to secure banking facilities granted to the Group.

# Notes to the Accounts

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## 16. PROPERTIES UNDER DEVELOPMENT

	Group	
	2001	2000
	HK\$'000	HK\$'000
Properties under development held for investment potential, at valuation:		
At beginning of year	2,576,880	2,921,454
Interest capitalised, net	11,539	23,647
Other additions	87,752	46,510
Reclassified to properties under development held for purposes other than rental, at cost	—	(131,449)
Release of revaluation reserve upon reclassification	—	(178,075)
Deficits on revaluation	(46,027)	(110,836)
Exchange realignments	—	5,629
	<u>2,630,144</u>	<u>2,576,880</u>
Properties under development held for purposes other than investment potential, at cost:		
At beginning of year	714,883	713,337
Interest capitalised, net	1,169	1,404
Other additions	8,371	128
Transfer to completed properties for sale	—	(134,083)
Reclassified from properties under development held for rental purpose, at cost	—	131,449
Exchange realignments	—	2,648
	<u>724,423</u>	<u>714,883</u>
Provision for diminution in value	—	(3,982)
	<u>724,423</u>	<u>710,901</u>
Total balance at end of year	<u>3,354,567</u>	<u>3,287,781</u>

At 31st July, 2001, properties under development held for investment potential were revalued by Chesterton Petty Limited, independent chartered surveyors, on an open market value basis.

None of the properties under development held for purposes other than investment potential was carried at net realisable value at 31st July, 2001 (2000: HK\$579,542,000).

# Notes to the Accounts

31st July, 2001

## 16. PROPERTIES UNDER DEVELOPMENT (continued)

The analysis by lease term of the carrying value of the properties under development held for investment potential and held for other than investment potential is as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
<hr/>		
Properties under development held for investment potential, at valuation:		
Leases of over 50 years	531,000	544,000
Leases of between 10 to 50 years	<u>2,099,144</u>	<u>2,032,880</u>
	<u>2,630,144</u>	<u>2,576,880</u>
Properties under development held for purposes other than investment potential, at cost:		
Leases of over 50 years	609,262	603,719
Leases of between 10 to 50 years	<u>115,161</u>	<u>107,182</u>
	<u>724,423</u>	<u>710,901</u>
	<u>3,354,567</u>	<u>3,287,781</u>

All properties under development are situated in the PRC.

At 31st July, 2001, certain properties under development with carrying value amounting to approximately HK\$520,309,000 (2000: HK\$484,290,000) have been pledged to banks to secure banking facilities granted to the Group.

## 17. SUBSIDIARIES

	Company	
	2001	2000
	HK\$'000	HK\$'000
<hr/>		
Unlisted shares, at cost	144,272	144,272
Amounts due from subsidiaries	<u>3,239,328</u>	<u>3,009,310</u>
	<u>3,383,600</u>	<u>3,153,582</u>

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayment.



# Notes to the Accounts

31st July, 2001

## 17. SUBSIDIARIES (continued)

Details of the principal subsidiaries are as follows:

Name of company	Place of incorporation/ registration and operations	Issued/ registered capital	Class of shares held	Attributable interest to the Company				Principal activities
				Direct		Indirect		
				2001 %	2000 %	2001 %	2000 %	
Beautiwin Limited	Hong Kong	HK\$2	Ordinary	—	—	100	100	Investment holding
Goldthorpe Limited	British Virgin Islands	US\$1	Ordinary	—	—	100	100	Investment holding
Grace Snow Limited	Hong Kong	HK\$2	Ordinary	—	—	100	100	Investment holding
Grand Wealth Limited	Hong Kong	HK\$2	Ordinary	—	—	100	100	Investment holding
Grosslink Investment Limited	Hong Kong	HK\$2	Ordinary	—	—	100	100	Investment holding
Guangzhou Beautiwin Real Estate Development Co., Ltd.	PRC	RMB100,000,000	—*	—	—	100**	100**	Property development and investment
Guangzhou Grand Wealth Properties Ltd.	PRC	HK\$138,000,000	—*	—	—	100**	100**	Property development and investment
Guangzhou Gongbird Property Development Ltd.	PRC	US\$22,160,000	—*	—	—	100**	100**	Property development and investment
Guangzhou Jieli Real Estate Development Co., Ltd.	PRC	HK\$168,000,000	—*	—	—	100**	100**	Property development and investment
Lai Fung Company Limited	Hong Kong	HK\$20 HK\$20	Ordinary Deferred	100	100	—	—	Investment holding
Lai Fung Overseas Finance Limited	Cayman Islands	HK\$0.2	Ordinary	100	100	—	—	Bond issue
Nicebird Company Limited	Hong Kong	HK\$2	Ordinary	—	—	100	100	Investment holding
Shanghai Li Xing Real Estate Development Co., Ltd. ("Li Xing")	PRC	US\$36,000,000	—*	—	—	90	90	Property development and investment
Sunlite Investment Limited	Hong Kong	HK\$2	Ordinary	—	—	100	100	Investment holding
Wealthy Grow Limited	Hong Kong	HK\$2	Ordinary	—	—	100	100	Investment holding
Creat Master Limited	Hong Kong	HK\$2	Ordinary	—	—	100	100	Investment holding
Topsider International Limited	British Virgin Islands	US\$1	Ordinary	100	100	—	—	Investment holding
Wide Angle Development Limited	Hong Kong	HK\$2	Ordinary	—	—	100	100	Investment holding
Shanghai HKP Property Management Co., Ltd.	PRC	US\$150,000	—*	—	—	95	95	Property management
Shanghai Wa Yee Real Estate Development Co., Ltd.	PRC	US\$10,000,000	—*	70	70	25	25	Property development and investment
Good Strategy Limited	British Virgin Islands	US\$1	Ordinary	—	—	100	100	Property investment

# Notes to the Accounts

31st July, 2001

## 17. SUBSIDIARIES (continued)

\* These subsidiaries have registered capital rather than issued share capital.

\*\* These subsidiaries are co-operative joint ventures of which the partners' profit sharing ratios and the distribution of net assets upon the expiration of the joint venture periods are not in proportion to their equity ratios but are as defined in the joint venture contracts.

At 31st July, 2001, the shares in certain subsidiaries are pledged to secure bank loans facilities granted to the Group.

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group at the balance sheet date. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

## 18. ASSOCIATED COMPANIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets other than goodwill	42,273	39,539
Unamortised goodwill on acquisition	—	38,149
	<u>42,273</u>	<u>77,688</u>
Amounts due from associated companies	599,692	594,592
	<u>641,965</u>	<u>672,280</u>
Less: provision for diminution in value	(17,787)	—
	<u>624,178</u>	<u>672,280</u>

During the year, write-off of unamortised goodwill on acquisition of an associated company and annual amortisation of HK\$36,993,000 (2000: HK\$Nil) and HK\$1,156,000 (2000: HK\$1,156,000) respectively have been charged to the profit and loss account. Except for an amount of HK\$396,289,000 (2000: HK\$382,425,000) due from an associated company which bears interest at Hong Kong dollar prime rate plus 2% per annum, the amounts due from associated companies are unsecured, interest-free and have no fixed terms of repayment.

# Notes to the Accounts

31st July, 2001

## 18. ASSOCIATED COMPANIES (continued)

Details of the principal associated companies are as follows:

Name of company	Place of incorporation/ registration and operations	Class of shares held	Attributable interest to the Company		Principal activities
			2001 %	2000 %	
Besto Investments Limited	Hong Kong	Ordinary	25	25	Investment holding
Hankey Development Limited	Hong Kong	Ordinary	50	50	Investment holding
Shanghai Hankey Real Estate Development Co., Ltd.	PRC	—*	48.3	48.3	Property development
Shanghai Zhabei Plaza Real Estate Development Co., Ltd.	PRC	—*	49.5	49.5	Property development
Guangzhou Tianhe Baito Culture & Entertainment Square Co., Ltd.	PRC	—*	25	25	Property development
Guangzhou Besto Real Estate Development Co., Ltd.	PRC	—*	25	25	Property development
Guangzhou New Wave Culture Plaza	PRC	—*	25	25	Property development

\* These associated companies have registered capital rather than issued share capital.

The above table lists the associated companies of the Group which, in the opinion of the directors, principally affected the results of the year or formed a substantial portion of the net assets of the Group at the balance sheet date. To give details of other associated companies would, in the opinion of the directors, result in particulars of excessive length.

Included in the balance of "Share of net assets other than goodwill" is interest capitalised of approximately HK\$72,095,000 (2000: HK\$69,656,000) on borrowings for investments in associated companies engaged in property development.

# Notes to the Accounts

31st July, 2001

## 19. JOINTLY CONTROLLED ENTITIES

	Group	
	2001 HK\$'000	2000 HK\$'000
Share of net assets	58,423	58,423
Amounts due to jointly controlled entities	(8,296)	(8,296)
	<u>50,127</u>	<u>50,127</u>

The balances with jointly controlled entities are unsecured, interest-free and have no fixed terms of repayment.

Details of the jointly controlled entities are as follows:

Name of company	Business structure	Place of registration and operations	Registered capital	Attributable interest to the Company		Principal activities
				2001 %	2000 %	
Zhong Shan Li Shan Properties Development Limited	Corporate	PRC	RMB75,000,000	50	50	Property development
Qingyuan Grace Snow Properties Ltd.	Corporate	PRC	US\$36,000,000	72	72	Property development

Included in the balance of "Share of net assets" is interest capitalised of approximately HK\$18,503,000 (2000: HK\$18,503,000) on borrowings for investments in jointly controlled entities engaged in property development.

## 20. PLEDGED BANK DEPOSITS AND CASH AND BANK BALANCES

As at 31st July, 2001, approximately HK\$2,315,000 (2000: HK\$Nil) of the Group's cash and bank balances were pledged to banks to secure banking facilities provided by banks. Also included in the cash and bank balance was an amount of approximately HK\$56,590,000 (2000: HK\$110,521,000) which was denominated in Renminbi.

## 21. COMPLETED PROPERTIES FOR SALE

Included in completed properties for sale is an amount of approximately HK\$58,130,000 (2000: HK\$133,553,000) which is carried at net realisable value.

# Notes to the Accounts

31st July, 2001

## 22. DEBTORS, DEPOSITS AND PREPAYMENTS

The credit terms of the Group range from 30 to 180 days. The ageing analysis of debtors is stated as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Amount not yet due	7,975	6,743
Overdue by 30 days	5,405	3,514
Overdue by 60 days	8,307	2,663
Overdue by 90 days	1,865	5,004
Overdue by more than 90 days	<u>14,299</u>	<u>28,849</u>
Trade receivables	37,851	46,773
Deposits and prepayments	<u>16,963</u>	<u>20,533</u>
Total	<u>54,814</u>	<u>67,306</u>

## 23. CREDITORS, ACCRUALS AND PROVISIONS

The ageing analysis of creditors is stated as follows:

	Group	
	2001 HK\$'000	2000 HK\$'000
Overdue by 30 days	88,339	116,599
Overdue by more than 180 days	<u>84,113</u>	<u>93,003</u>
Trade payables	172,452	209,602
Accruals and provisions	<u>131,328</u>	<u>177,538</u>
Total	<u>303,780</u>	<u>387,140</u>

# Notes to the Accounts

31st July, 2001

## 24. LOANS FROM A SUBSTANTIAL SHAREHOLDER

During the year, the following loans were granted by a substantial shareholder to the Group and Company:

	Group	
	2001 HK\$'000	2000 HK\$'000
Interest bearing at best lending rate quoted by a specified bank	40,787	—
Interest bearing at LIBOR	10,795	—
Interest free	1,703	—
	<u>53,285</u>	<u>—</u>

  

	Company	
	2001 HK\$'000	2000 HK\$'000
Interest bearing at best lending rate quoted by a specified bank	40,787	—
Interest free	1,676	—
	<u>42,463</u>	<u>—</u>

All the loans above are unsecured and repayable on or before 31st December, 2003.

## 25. DEFERRED TAXATION

At the balance sheet date, the Group's unprovided deferred tax liabilities arising from the revaluation of investment properties and properties under development amounted to HK\$252,225,000 (2000: HK\$252,544,000) and HK\$922,093,000 (2000: HK\$818,589,000) in respect of LAT and income tax, respectively. In the opinion of the directors, the deferred tax liabilities are not expected to crystallise in the foreseeable future since the Group has no intention to dispose of these revalued properties.

Indemnities on certain tax liabilities arising from the disposal of the Group's properties under development, completed properties developed for sale and other properties were given by LSD. Details of the indemnities are included in note 11.

## Notes to the Accounts

31st July, 2001

### 26. SHARE CAPITAL

	Number of shares 2001 '000	Nominal value 2001 HK\$'000	Number of shares 2000 '000	Nominal value 2000 HK\$'000
Authorised:				
Ordinary share of HK\$0.10 each	<u>7,000,000</u>	<u>700,000</u>	<u>7,000,000</u>	<u>700,000</u>
Issued and fully paid:				
Ordinary share of HK\$0.10 each	<u>3,070,827</u>	<u>307,083</u>	<u>1,047,114</u>	<u>104,711</u>

On 10th January, 2001, 2,023,713,337 ordinary shares of HK\$0.10 each were allotted and issued at a conversion price of HK\$0.464 to convert the Group's US\$120,385,000 (approximately HK\$939,003,000 at the rate of exchange ruling at the date of conversion) convertible guaranteed bonds (the "CGB") into ordinary shares of the Company in accordance with the terms and conditions on issuance of the CGB. These shares rank pari passu in all respects with the existing shares of the Company.

## Notes to the Accounts

31st July, 2001

## 27. RESERVES

## Group

	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Properties under development held for investment potential revaluation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August, 1999	2,484,703	14,695	480,999	1,871,603	16,452	159,435	5,027,887
Share premium arising on conversion of convertible guaranteed bonds	7,497	—	—	—	—	—	7,497
Capital reserve arising on acquisition of additional interests in subsidiaries	—	—	—	—	164,840	—	164,840
Exchange realignments:							
Subsidiaries	—	9,226	—	—	—	—	9,226
Associated companies	—	1,362	—	—	—	—	1,362
Jointly controlled entities	—	520	—	—	—	—	520
Release of revaluation reserve upon reclassification of properties under development from held for investment potential to other than investment potential	—	—	—	(178,075)	—	—	(178,075)
Deficits on revaluation	—	—	(18,004)	(110,836)	—	—	(128,840)
Share of revaluation deficits in associated companies	—	—	—	(1,800)	—	—	(1,800)
Profit for the year retained	—	—	—	—	—	11,540	11,540
At 31st July, 2000	2,492,200	25,803	462,995	1,580,892	181,292	170,975	4,914,157
Reserves retained by:							
Company and subsidiaries	2,492,200	21,024	462,995	1,580,892	181,292	256,098	4,994,501
Associated companies	—	6,585	—	—	—	(47,623)	(41,038)
Jointly controlled entities	—	(1,806)	—	—	—	(37,500)	(39,306)
At 31st July, 2000	2,492,200	25,803	462,995	1,580,892	181,292	170,975	4,914,157



# Notes to the Accounts

31st July, 2001

## 27. RESERVES (continued)

### Group

	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Investment properties revaluation reserve HK\$'000	Properties under development held for investment potential revaluation reserve HK\$'000	Capital reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st August, 2000	2,492,200	25,803	462,995	1,580,892	181,292	170,975	4,914,157
Share premium arising on conversion of convertible guaranteed bonds	736,631	—	—	—	—	—	736,631
Exchange realignments:							
Subsidiaries	—	170	—	—	—	—	170
Associated companies	—	(75)	—	—	—	—	(75)
Jointly controlled entities	—	—	—	—	—	—	—
Exchange reserve arising on conversion of convertible guaranteed bonds	—	(9,558)	—	—	—	—	(9,558)
Deficits on revaluation	—	—	(24,875)	(46,027)	—	—	(70,902)
Loss for the year retained	—	—	—	—	—	(164,619)	(164,619)
At 31st July, 2001	3,228,831	16,340	438,120	1,534,865	181,292	6,356	5,405,804
Reserves retained by:							
Company and subsidiaries	3,228,831	11,636	438,120	1,534,865	181,292	153,984	5,548,728
Associated companies	—	6,510	—	—	—	(110,128)	(103,618)
Jointly controlled entities	—	(1,806)	—	—	—	(37,500)	(39,306)
At 31st July, 2001	3,228,831	16,340	438,120	1,534,865	181,292	6,356	5,405,804

## Notes to the Accounts

31st July, 2001

## 27. RESERVES (continued)

## Company

	Share premium account HK\$'000	Exchange fluctuation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1st August, 1999	2,484,703	—	(9,795)	2,474,908
Share premium arising on conversion of convertible guaranteed bonds	7,497	—	—	7,497
Loss for the year	—	—	(57,902)	(57,902)
At 31st July, 2000	2,492,200	—	(67,697)	2,424,503
Share premium arising on conversion of convertible guaranteed bonds	736,631	—	—	736,631
Exchange reserve arising on conversion of convertible guaranteed bonds	—	(9,558)	—	(9,558)
Loss for the year	—	—	(121,016)	(121,016)
At 31st July, 2001	3,228,831	(9,558)	(188,713)	3,030,560

## 28. LONG-TERM BANK LOANS, SECURED

	Group	
	2001 HK\$'000	2000 HK\$'000
At 31st July, 2001, the Group's long-term bank loans were wholly repayable within five years and can be analysed as follows:		
In the first year	86,106	—
In the second year	106,254	47,112
In the third to fifth year	785,381	50,000
	977,741	97,112
Current portion included in current liabilities	(86,106)	—
	891,635	97,112

# Notes to the Accounts

31st July, 2001

## 28. LONG-TERM BANK LOANS, SECURED (continued)

	Company	
	2001	2000
	HK\$'000	HK\$'000
Secured long-term bank loan repayable in the third to fifth year	—	50,000

## 29. CONVERTIBLE GUARANTEED BONDS

	Group	
	2001	2000
	HK\$'000	HK\$'000
At beginning of year	929,445	937,206
Converted during the year	(929,445)	(7,761)
At end of year	—	929,445

On 5th January, 1994, Lai Fung Overseas Finance Limited ("LFO") issued US\$150,000,000 (HK\$1,158,465,000) convertible guaranteed bonds (the "CGB"). The CGB were unconditionally guaranteed by the Company.

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The CGB bear interest at the rate of 5.75% per annum payable in arrears on 5th January each year.

On 10th January, 2001, LFO elected to mandatorily convert all the outstanding CGB of US\$120,385,000 at the time being into 2,023,713,337 ordinary shares of HK\$0.10 each of the Company at a conversion price of HK\$0.464 in accordance with the terms and conditions as defined in the CGB document (see note 26).

## 30. CONVERTIBLE NOTE

The convertible note was fully redeemed by the Company on 12th July, 2001 at an aggregate amount of HK\$660,000,000 inclusive of redemption premium.

# Notes to the Accounts

31st July, 2001

## 31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT

### (a) Reconciliation of loss before taxation to net cash inflow/(outflow) from operating activities

	2001 HK\$'000	2000 HK\$'000
Loss before taxation	(165,864)	(153,573)
Share of losses of associated companies	62,505	42,042
jointly controlled entities	—	36,790
Write-off of unamortised goodwill arising from acquisition of an associated company	36,993	—
Interest expenses	94,605	71,675
Provision for premium on convertible note redemption	38,333	20,000
Bank charges	7,035	—
Interest income	(49,225)	(36,965)
Loss on disposal of fixed assets	508	916
(Write-back of provision)/provision for doubtful debts	(3,211)	449
(Write-back of provision)/provision for completed properties for sale to net realisable value	(5,000)	10,500
(Write-back of provision)/provision for diminution in value of properties under development held for other than investment potential	(3,982)	127
Gain on disposal of a jointly controlled entity	—	(6,610)
Depreciation	1,897	2,961
Amortisation of goodwill arising on acquisition of an associated company	1,156	1,156
Decrease/(increase) in completed properties for sale	86,841	(210)
Decrease/(increase) in debtors, deposits and prepayments	15,703	(19,184)
(Decrease)/increase in creditors, accruals and provisions	(83,360)	16,116
Decrease in long-term deposits received	(1,357)	(7,878)
Net cash inflow/(outflow) from operating activities	<u>33,577</u>	<u>(21,688)</u>

# Notes to the Accounts

31st July, 2001

## 31. NOTES TO CONSOLIDATED CASH FLOW STATEMENT (continued)

### (b) Analysis of changes in financing during the year

	Share capital and premium HK\$'000	Convertible guaranteed bonds and convertible note HK\$'000	Bank loans, secured HK\$'000	Restricted cash and bank balances pledged HK\$'000	Minority interests HK\$'000	Loans from a substantial shareholder HK\$'000
Balance at 1st August, 1999	2,589,150	1,537,206	222,556	(8,055)	429,193	—
Net cash inflow from financing	—	—	44,159	—	—	—
Conversion of convertible guaranteed bonds	7,761	(7,761)	—	—	—	—
Interest on current accounts with minority shareholders	—	—	—	—	(5,038)	—
Arising on acquisition of additional interests in subsidiaries	—	—	—	—	(226,384)	—
Share of loss for the year	—	—	—	—	(44,373)	—
Share of exchange reserve	—	—	—	—	291	—
Release of restricted bank deposits pledged	—	—	—	8,055	—	—
Share of revaluation deficit of investment properties	—	—	—	—	(1,800)	—
Balance at 31st July, 2000	2,596,911	1,529,445	266,715	—	151,889	—
Net cash (outflow)/inflow from financing	—	(600,000)	711,026	—	15,354	51,582
Conversion of convertible guaranteed bonds	939,003	(929,445)	—	—	—	—
Interest on loans from a substantial shareholder	—	—	—	—	—	1,703
Interest on current accounts with minority shareholders	—	—	—	—	(1,260)	—
Share of loss for the year	—	—	—	—	823	—
Increase in restricted bank deposits pledged	—	—	—	(2,315)	—	—
Share of revaluation deficit of investment properties	—	—	—	—	(4,430)	—
Balance at 31st July, 2001	3,535,914	—	977,741	(2,315)	162,376	53,285

### (c) Major non-cash transaction

The consideration for acquisition of additional interests in subsidiaries in prior year was offset by current accounts with minority shareholders amounted to approximately HK\$107,921,000.

# Notes to the Accounts

31st July, 2001

## 32. FUTURE LEASE RECEIPTS

	Group	
	2001 HK\$'000	2000 HK\$'000
Future minimum lease receipts under non-cancellable operating leases in respect of investment properties are as follows:		
Not later than one year	13,865	11,183
Later than one year and not later than five years	33,534	47,443
Later than five years	<u>54,843</u>	<u>51,517</u>
	<u>102,242</u>	<u>110,143</u>

## 33. CONTINGENT LIABILITIES

- (1) Under a mortgage loan facility provided by a bank to the end-buyers of the office and apartment units of Hong Kong Plaza, the Company agreed to guarantee up to 95% of the liabilities of Li Xing for the due performance of its undertaking to buy back the relevant property in case of default by the borrower. It is not practical to determine the outstanding amount of the contingent liabilities of the Company at the balance sheet date.
- (2) Under a mortgage loan facility provided by another bank to the end-buyers of Eastern Place Phase I and Phase II, the Company agreed to provide guarantees to the bank to buy back the relevant property in case of default by the borrowers. It is not practical to determine the outstanding amount of the contingent liabilities of the Company at the balance sheet date.
- (3) Pursuant to loan agreements, the Company agreed to provide corporate guarantees to the banks to secure the loan facilities of approximately HK\$1,166 million (RMB250,000,000 and US\$119,280,000) granted to wholly-owned subsidiaries of the Group. Approximately HK\$978 million of the loans were outstanding as at 31st July, 2001.

# Notes to the Accounts

31st July, 2001

## 34. COMMITMENTS

### (a) Capital commitments

At 31st July, 2001, the Group had capital commitments in respect of the following:

	Group	
	2001	2000
	HK\$'000	HK\$'000
<hr/>		
Contracted, but not provided for		
Land premium, resettlement and compensation and construction costs	<u>786,620</u>	<u>552,044</u>

### (b) Commitments under operating leases

At 31st July, 2001, the Group had future aggregate minimum lease payments under non-cancellable operating leases in respect of land and buildings as follows:

	Group	
	2001	2000
	HK\$'000	HK\$'000
<hr/>		
Within one year	116	1,696
In the second to fifth year inclusive	<u>28</u>	<u>1,837</u>
	<u>144</u>	<u>3,533</u>

## 35. SUBSEQUENT EVENT

On 21st June, 2001, Sunlite Investment Limited ("Sunlite"), a wholly-owned subsidiary of the Company, entered into a conditional agreement with Tai Hong Company Limited ("Tai Hong"), the minority shareholder of certain subsidiaries of the Company, namely, Shanghai Li Xing Real Estate Development Co., Ltd., Shanghai HKP Property Management Co., Ltd. and Shanghai Lai Fung Department Store Co., Ltd. (collectively "the subsidiaries"), whereby Sunlite as purchaser agreed to purchase from Tai Hong its 5% equity interest in each of the subsidiaries together with its shareholder's loan of approximately RMB4,600,000 at an aggregate consideration of US\$1,700,000. The proposed transaction is subject to the approval of the respective local authorities in the PRC.

## 36. APPROVAL OF THE ACCOUNTS

The accounts were approved by the board of directors on 9th November, 2001.