

Notes to the Accounts

1. PRINCIPAL ACCOUNTING POLICIES

a) Statement of compliance

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

b) Basis of preparation of accounts

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

c) Basis of consolidation

(i) Subsidiaries and controlled companies

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

An investment in a controlled subsidiary is consolidated into the consolidated accounts, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions which significantly impair its ability to transfer funds to the Group, in which case, it is stated in the balance sheet at fair value with changes in fair value recognised in the same way as for investments in securities.

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

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

(ii) Associates

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

An investment in an associate is accounted for in the consolidated accounts under the equity method and is initially recorded at cost and adjusted thereafter for the post-acquisition change in the Group’s share of the associate’s net assets, unless it is acquired and held exclusively with a view to subsequent disposal in the near future or operates under severe long-term restrictions that significantly impair its ability to transfer funds to the Group, in which case it is stated at fair value

Notes to the Accounts (continued)

with changes in fair value recognised in the same way as for investments in securities. The profit and loss account reflects the Group's share of the post-acquisition results of the associates for the year, including any amortisation of positive or negative goodwill charged or credited during the year in accordance with note 1(c)(iii).

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated and deferred to the extent of the Group's interest in the associates until the concerned assets are on-sold to third parties. If there is evidence of impairment in value of the assets transferred, the unrealised losses will be recognised immediately in the profit and loss account.

(iii) Goodwill/negative goodwill

The Group has adopted SSAP 30 "Business combinations" issued by the Hong Kong Society of Accountants with effect from 1 April 2001. In doing so the Group has relied upon the transitional provisions set out in SSAP 30 such that goodwill/negative goodwill arising on acquisition of a subsidiary or an associate by the Group prior to 1 April 2001, representing the excess/shortfall of the cost of investment over the appropriate share of the fair value of the identifiable assets and liabilities acquired, has been written off against/taken to capital reserves in the period in which it arose and has not been restated.

For acquisitions after 1 April 2001, goodwill is recognised as an asset and is amortised to the profit and loss account on a straight-line basis over its estimated useful life. Negative goodwill which relates to an expectation of future losses and expenses that are identified in the plan of acquisition and can be measured reliably, but which have not yet been recognised, is recognised in the profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, but not exceeding the fair values of the non-monetary assets acquired, is recognised in the profit and loss account over the weighted average useful life of those non-monetary assets that are depreciable/amortisable. Negative goodwill in excess of the fair values of the non-monetary assets acquired is recognised immediately in the profit and loss account.

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

The carrying amount of goodwill is reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists an impairment loss is recognised as an expense in the profit and loss account.

d) Properties**(i) Investment properties**

Investment properties are defined as properties which are income producing and intended to be held for the long-term, and such properties are included in the balance sheet at their open market value, on the basis of an annual professional valuation, less depreciation where the investment properties are held on leases with unexpired periods of 20 years or less. Changes in the value of investment properties are dealt with as movements in the investment property revaluation reserves. If the total of these reserves is insufficient to cover a deficit, on a portfolio basis, the excess of the deficit is charged to the profit and loss account. When a surplus arises on subsequent revaluation on a portfolio basis, it will be credited to the profit and loss account if and to the extent that a deficit on revaluation had previously been charged to the profit and loss account. On disposal of investment properties, the revaluation surplus or deficit previously taken to investment property revaluation reserves is included in calculating the profit or loss on disposal.

Notes to the Accounts (continued)

(ii) Properties under development for sale

Properties under development for sale are classified under current assets and stated at the lower of cost, including capitalised borrowing costs plus attributable profit, and net realisable value. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down of or provision for properties under development for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the profit and loss account in the period in which the reversal occurs.

Profit on pre-sale of properties under development for sale is recognised over the course of the development and is calculated each year as a proportion of the total estimated profit to completion, the proportion used being the lower of the proportion of construction costs incurred at the balance sheet date to estimated total construction costs and the proportion of sales proceeds received and receivable at the balance sheet date to total sales proceeds in respect of the units sold.

Borrowing costs on loans relating to properties under development for sale are capitalised up to the date of practical completion of development.

(iii) Properties held for sale

Properties held for sale are classified under current assets and stated at the lower of cost and net realisable value. Cost is determined by apportionment of the total development costs for that development, including borrowing costs capitalised, attributable to unsold units. Net realisable value is determined by the Directors, based on prevailing market conditions.

The amount of any write down of or provision for properties held for sale is recognised as an expense in the period the write down or loss occurs. The amount of any reversal of any write down or provision arising from an increase in net realisable value is recognised in the profit and loss account in the period in which the reversal occurs.

(iv) Other properties

Other properties are stated at cost or valuation at 31 March 1995 less accumulated depreciation and provision for impairment as considered necessary by the Directors. The Group places reliance on the transitional provision of SSAP 17 which provides exemption from the need to make regular revaluations for those properties stated at valuation at 31 March 1995.

e) Depreciation of fixed assets**(i) Investment properties**

No depreciation is provided in respect of investment properties with an unexpired lease term of more than 20 years since the valuation takes into account the state of each property at the date of valuation. Investment properties held on leases with an unexpired period of 20 years or less are depreciated over the remaining portion of the leases.

(ii) Properties under or held for development

No depreciation is provided on properties under or held for development.

(iii) Other properties

Depreciation is provided on the carrying amount of the leasehold land over the unexpired term of the lease. Buildings are depreciated on a straight line basis whereby their carrying amount is written off in equal annual instalments over the shorter of 50 years and the remaining term of the lease.

Notes to the Accounts (continued)

(iv) Other fixed assets

Depreciation is provided on a straight line basis on the cost of other fixed assets at rates determined by the estimated useful lives of the assets of between 3 and 10 years.

f) Impairment of assets

The carrying amounts of assets, other than investment properties carried at revalued amounts, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount exceeds the recoverable amount. Impairment losses are recognised as an expense in the profit and loss account.

(i) Recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use.

(ii) Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is reversed only if the loss was caused by a specific external event of an exceptional nature that is not expected to recur, and the increase in recoverable amount relates clearly to the reversal of the effect of that specific event.

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

g) Investments in securities

- (i)** Held-to-maturity securities are stated in the balance sheet at amortised cost less any provisions for diminution in value.

The carrying amounts of held-to-maturity securities are reviewed as at the balance sheet date in order to assess the credit risk and whether the carrying amounts are expected to be recovered. Provisions are made when carrying amounts are not expected to be recovered and are recognised as an expense in the profit and loss account for each security individually.

- (ii)** Non-trading securities are classified as long-term investments and stated in the balance sheet at fair value. Changes in fair value are recognised in the investment revaluation reserves until the security is sold, collected or otherwise disposed of or until there is objective evidence that the security is impaired, at which time the relevant cumulative surplus or deficit is transferred from the investment revaluation reserves to the profit and loss account.

Transfers from the investment revaluation reserves to the profit and loss account as a result of impairments are reversed when the circumstances and events that led to the impairment cease to exist and there is persuasive evidence that the new circumstances and events will persist for the foreseeable future.

Profits or losses on disposal of non-trading securities are determined as the difference between the net disposal proceeds and the carrying amount of the securities and are recognised in the profit and loss account as they arise. On disposal of non-trading securities, the relevant revaluation surplus or deficit previously taken to the investment revaluation reserves is also transferred to the profit and loss account for the year.

Notes to the Accounts (continued)

(iii) Trading securities are classified as short-term investment under current assets and stated in the balance sheet at fair value. Changes in fair value are recognised in the profit and loss account as they arise.

h) Inventories

Inventories comprising goods for resale are stated at the lower of cost, including an element of overheads, where applicable, and net realisable value which is determined by reference to the sales proceeds of items sold in the ordinary course of business after the balance sheet date, or to management estimates based on prevailing market conditions.

Cost is calculated based on the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

When inventories are sold, their carrying amounts are recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs.

The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value, is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

i) Foreign currencies

Foreign currency transactions during the year are translated into Hong Kong dollars at exchange rates ruling at the transaction dates. Monetary foreign currency balances and the accounts of overseas subsidiaries and associates are translated into Hong Kong dollars at the rate of exchange ruling at the balance sheet date. Differences on foreign currency translation are dealt with in the profit and loss account with the exception of those arising on the translation of the accounts of overseas subsidiaries and associates which are dealt with in the capital reserves. On disposal of an overseas subsidiary or associate, the cumulative amount of the exchange difference which related to that overseas subsidiary or associate is included in the calculation of the profit and loss on disposal.

Gains or losses on outstanding speculative forward contracts computed by reference to the forward rates at the balance sheet date are dealt with in the profit and loss account. No profit or loss is recognised on outstanding non-speculative forward contracts which are used as hedges of firm commitments.

j) Leased assets**(i) 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 note 1(e) above. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(k) (iii) below.

(ii) Operating lease charges

Payment obligations in respect of operating leases on property with fixed rentals are accounted for on a straight line basis over the periods of the respective leases; payment obligations in respect of operating leases on property with rentals which vary with the sales of the Group are charged to the profit and loss account as incurred.

Notes to the Accounts (continued)

k) Recognition of revenue

- (i) Income from sale of goods is recognised when the title of the goods is transferred to the customers.
- (ii) Income from management services is recognised upon provision of services.
- (iii) Rental income under operating leases is recognised in the profit and loss account in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives granted are recognised in the profit and loss account as an integral part of the aggregate net lease payments receivable. Contingent rentals are recognised as income in the accounting period in which they are earned.
- (iv) Income from sale of completed property is recognised upon signing of the sale and purchase agreement and income from pre-sale of property under development is recognised over the course of development (see note 1 (d)(ii)).
- (v) Dividend income from listed investments is recognised when the share price of the investment goes ex-dividend.
- (vi) Interest income from dated debt securities intended to be held to maturity is recognised as it accrues, as adjusted by the amortisation of the premium or discount on acquisition, so as to achieve a constant rate of return over the period from the date of purchase to the date of maturity.
- (vii) Interest income is accrued on a time-apportioned basis by reference to the principal outstanding and at the rate applicable.

l) Deferred taxation

Deferred taxation is calculated at the current tax rate under the liability method in respect of the taxation effect arising from all material timing differences which are expected with reasonable probability to crystallise in the foreseeable future.

m) Borrowing costs

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

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

n) Related parties

For the purposes of these accounts, a party is 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.

Notes to the Accounts (continued)

o) Provisions

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

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

p) Segment reporting

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

In accordance with the Group's internal financial reporting, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group companies within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

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

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

q) Pension schemes**(i) Defined contribution schemes**

Contributions to the schemes are expensed as incurred and may be reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. The assets of the schemes are held separately from those of the Group in independently administered funds.

(ii) Mandatory provident funds

Contributions to the Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are charged to the profit and loss account when incurred.

(iii) Central provident funds in Singapore

Contributions to the Central Provident Fund in Singapore as required under the Central Provident Fund Act are charged to the profit and loss account when incurred.

Notes to the Accounts (continued)

2. SEGMENT INFORMATION

a) Business segments

(i) Revenue and results

	Segment Revenue		Segment Results	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
Property development	4,486.2	1,294.1	1,046.1	560.0
Property investment	337.7	332.9	241.9	233.6
Retail and distribution	2,056.9	1,865.7	(80.3)	56.8
Investment and others	401.1	380.3	211.5	532.0
	7,281.9	3,873.0	1,419.2	1,382.4
Inter-segment revenue (Note i)	(117.2)	(111.5)	–	–
	7,164.7	3,761.5	1,419.2	1,382.4
Unallocated expenses			(26.3)	(28.9)
Provision for impairment in value of properties				
– property development			(1,065.5)	(1,004.9)
– property investment			(185.0)	(216.3)
Operating profit			142.4	132.3
Borrowing costs			(554.2)	(897.7)
Share of results of associates (Note ii)			1,404.1	1,587.4
Profit before taxation			992.3	822.0

Notes:

(i) Inter-segment revenue eliminated on consolidation includes:

Property investment	54.6	50.6
Investment and others	62.6	60.9
	117.2	111.5

(ii) Share of results of associates

Property investment	1,366.5	1,280.4
Property development	32.6	143.3
Communication, media and entertainment	155.8	28.9
Pay television	174.3	104.9
Telecommunication	4.0	(34.0)
Internet, multimedia and others	(22.5)	(42.0)
Logistics	921.9	926.7
Terminals	874.5	877.2
Other logistics business	47.4	49.5
Hotels	85.9	89.4
Investment and others	(29.4)	453.0
Unallocated expenses and other items	(576.8)	(538.6)
Borrowing costs	(552.4)	(795.7)
	1,404.1	1,587.4

Notes to the Accounts (continued)

(ii) Assets and liabilities

	Assets		Liabilities	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
Property development	17,271.4	23,082.7	3,649.6	5,009.8
Property investment	4,818.8	5,207.4	111.5	110.0
Retail and distribution	620.8	649.2	367.5	358.0
Investment and others	3,968.5	3,504.7	32.4	103.5
Segment assets and liabilities	26,679.5	32,444.0	4,161.0	5,581.3
Associates (Note)	23,379.4	24,733.4	–	–
Unallocated items	4,608.3	1,299.1	18,290.8	18,357.9
Total assets and liabilities	54,667.2	58,476.5	22,451.8	23,939.2

Note: Share of net segment assets less liabilities of associates

Property development	1,413.6	1,512.4
Property investment	27,131.6	28,643.2
Communication, media and entertainment	1,270.2	913.6
Logistics	2,029.3	2,314.4
Hotels	1,797.7	1,929.9
Unallocated and other items	(10,263.0)	(10,580.1)
	23,379.4	24,733.4

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

(iii) Other information

As disclosed in note 11 to the accounts, capital expenditure of HK\$65.2 million (2001: HK\$50.5 million) and depreciation and amortisation of HK\$70.1 million (2001: HK\$56.2 million) are principally related to retail and distribution segment in Hong Kong. The Group has no significant non-cash expenses other than depreciation and amortisation.

Notes to the Accounts (continued)

b) Geographical segments
(i) Revenue and results

	Segment Revenue		Segment Results	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
Hong Kong	4,348.7	2,329.6	343.2	568.3
Singapore	2,696.3	1,349.5	1,042.8	778.2
Others	119.7	82.4	6.9	7.0
	7,164.7	3,761.5	1,392.9	1,353.5
Provision for impairment in value of properties				
– Hong Kong			(985.3)	(1,203.3)
– Singapore			(265.2)	(17.9)
			142.4	132.3

(ii) Assets

	Assets	
	2002 HK\$ Million	2001 HK\$ Million
Hong Kong	21,731.4	21,431.4
Singapore	4,904.8	10,975.1
Others	43.3	37.5
	26,679.5	32,444.0

Notes to the Accounts (continued)

3. TURNOVER AND OPERATING PROFIT**a) Turnover**

The principal activities of the Group are property development, property investment, retail and distribution and investment holding. Analysis of the Group's turnover is as follows:

	2002 HK\$ Million	2001 HK\$ Million
Property development	4,486.2	1,294.1
Property investment	283.1	282.3
Retail and distribution	2,056.9	1,865.7
Investment and others	338.5	319.4
	7,164.7	3,761.5

b) Operating profit

	2002 HK\$ Million	2001 HK\$ Million
Operating profit is arrived at:		
after charging:		
Staff costs, including retirement scheme costs HK\$22.0 million (2001: HK\$18.5 million)	405.4	360.1
Cost of properties sold	3,440.6	765.7
Cost of inventories sold	1,214.7	1,057.7
Depreciation	70.1	56.2
Auditors' remuneration	6.0	5.0
Operating lease rentals – land and building	263.0	229.3
and after crediting:		
Rental income from operating leases less outgoings – including gross rental income from investment properties HK\$263.3 million (2001: HK\$263.4 million)	206.5	205.8
Dividend income from listed investments	152.2	140.9

In addition, staff costs of HK\$28.3 million (2001: HK\$10.0 million) were capitalised in costs of properties under development.

Notes to the Accounts (continued)

c) Directors' emoluments

	2002 HK\$ Million	2001 HK\$ Million
Fees	0.4	0.4
Basic salaries, housing allowances, other allowances and benefits in kind	2.6	3.4
Deemed profit on share option exercise	0.5	–
Retirement scheme contributions	–	–
Discretionary bonuses and/or performance – related bonuses	4.1	2.9
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	7.6	6.7

For the year under review, total emoluments (including any reimbursement) amounting to HK\$105,000 (2001: HK\$105,000), being wholly in the form of Directors' fees, were paid or payable to Independent Non-executive Directors of the Company.

The emoluments in respect of the year ended 31 March 2002 of all the Directors of the Company in office during the year were in the following ranges:

Bands (in HK\$)	2002 Number	2001 Number
Not more than \$1,000,000	10*	10
\$1,500,001 – \$2,000,000	1	1
\$4,500,001 – \$5,000,000	–	1
\$5,000,001 – \$5,500,000	1	–
	12	12

Note: The emoluments of two Directors in the band marked * above included deemed profit on share option exercise totalling HK\$0.5 million (2001: HK\$ nil).

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d) Five highest paid employees

Set out below are analyses of the emoluments (excluding amounts paid or payable by way of commissions on sales generated by the employees concerned) for the year ended 31 March 2002 of four employees (2001: four) of the Group who, not being Directors of the Company, are among the top five highest paid individuals (including persons who held the office of Directors of the Company at any time during the year as well as other employees of the Group) employed by the Group.

(i) Aggregate emoluments

	2002 HK\$ Million	2001 HK\$ Million
Basic salaries, housing allowances, other allowances and benefits in kind	12.4	8.7
Deemed profit on share option exercise	–	–
Pension scheme contributions	0.4	0.5
Discretionary bonuses and/or performance-related bonuses	26.1	3.7
Compensation for loss of office	–	–
Inducement for joining the Group	–	–
	38.9	12.9

(ii) Bandings

Bands (in HK\$)	2002 Number	2001 Number
\$2,000,001 – \$2,500,000	–	1
\$2,500,001 – \$3,000,000	–	2
\$3,000,001 – \$3,500,000	2	–
\$4,000,001 – \$4,500,000	1	–
\$5,000,001 – \$5,500,000	–	1
\$28,500,001 – \$29,000,000 (Note)	1	–
	4	4

Note: Included in this banding are emoluments paid to a director of the 56% indirectly owned subsidiary, Marco Polo Developments Limited, which is listed in Singapore.

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4. OTHER NET INCOME

	2002 HK\$ Million	2001 HK\$ Million
Net (loss)/profit on disposal of non-trading securities	(35.4)	231.5
Deferred profits realised	100.1	56.2
Profit on disposal of subsidiaries	17.5	–
Net provision for non-trading securities	–	(16.6)
Net other provision released	–	84.0
Others	30.8	87.1
	113.0	442.2

Included in the net (loss)/profit on disposal of non-trading securities is a net surplus, before deduction of minority interests, of HK\$0.3 million (2001: HK\$144.5 million) transferred from investment revaluation reserves.

5. BORROWING COSTS

	2002 HK\$ Million	2001 HK\$ Million
Interest payable on		
Bank loans and overdrafts	610.5	1,063.8
Other loans repayable within 5 years	134.4	241.8
Other borrowing costs	140.8	102.5
	885.7	1,408.1
Less: Amount capitalised	(331.5)	(510.4)
	554.2	897.7

Notes to the Accounts (continued)

6. TAXATION

The provision for Hong Kong profits tax is based on the profit for the year as adjusted for tax purposes at the rate of 16% (2001: 16%). Overseas taxation is calculated at rates of tax applicable in countries in which the Group is assessed for tax. The taxation charge is made up as follows:

	2002 HK\$ Million	2001 HK\$ Million
Company and subsidiaries		
Hong Kong profits tax for the year	13.3	19.3
Overseas taxation charge/(credit) for the year	905.0	(2.7)
Deferred taxation (Note 24)	(665.0)	93.1
	253.3	109.7
Associates		
Hong Kong profits tax for the year	143.0	111.2
Overseas taxation for the year	8.8	16.8
Underprovisions in prior years	–	30.0
Deferred taxation	(5.5)	(14.5)
	146.3	143.5
	399.6	253.2

7. GROUP PROFIT ATTRIBUTABLE TO SHAREHOLDERS

The group profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$167.7 million (2001: HK\$169.5 million).

Notes to the Accounts (continued)

8. DIVIDENDS**a) Dividends attributable to the year**

	2002 HK\$ Million	2001 HK\$ Million
Interim dividend declared and paid of 2.5 cents (2001: 2.5 cents) per share	50.8	50.8
Final dividend of 5.0 cents proposed after the balance sheet date (2001: 5.0 cents) per share	101.6	101.5
	152.4	152.3

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

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

	2002 HK\$ Million	2001 HK\$ Million
Final dividend in respect of the previous financial year, approved and paid during the year, of 5.0 cents (2001: 5.0 cents) per share	101.5	101.5

9. EARNINGS PER SHARE

The calculation of basic earnings per share is based on earnings for the year of HK\$546.6 million (2001: HK\$523.3 million) and on the weighted average of 2,031.3 million (2001: 2,030.8 million) ordinary shares in issue during the year.

No figure for diluted earnings per share is shown as the exercise of the subscription rights attached to the share options referred to in note 21 to the accounts would not have a material diluting effect on the earnings per share.

Notes to the Accounts (continued)

10. CHANGES IN ACCOUNTING POLICIES**a) Goodwill/negative goodwill**

In prior years, goodwill/negative goodwill arising on consolidation, representing the excess/shortfall of the cost of investments in subsidiaries and associates over the appropriate share of the fair value of the identifiable assets and liabilities acquired, was taken to reserves in the year in which it arose.

On disposal of a subsidiary or an associate, the attributable amount of goodwill/negative goodwill was included in calculating the profit or loss on disposal.

With effect from 1 April 2001, the Group adopted an accounting policy to recognise goodwill/negative goodwill as set out in note 1(c)(iii) in order to comply with SSAP 30 "Business combinations" issued by the Hong Kong Society of Accountants.

The Group has taken advantage of the transitional provisions set out in paragraph 88 of SSAP 30 which do not require restatement of positive/negative goodwill taken to reserves prior to 1 April 2001.

Goodwill arising in prior years and not restated for the reasons noted above has been assessed for indications of impairment as required by SSAP 31 "Impairment of assets" issued by the Hong Kong Society of Accountants. As a result of this review upon adoption of SSAP 30 and SSAP 31, which has been applied retrospectively, goodwill arising in prior years has been considered to have been impaired in prior years, and, consequently, revenue reserves as at 1 April 2000 were restated and reduced by HK\$160.9 million whilst other capital reserves at 1 April 2000 were increased by a corresponding amount, representing the Group's and the Group's share of associates' impairment of goodwill arising in prior years.

b) Planned maintenance provision

In prior years, the Group's associates operated a planned maintenance scheme for their hotels which projected future maintenance requirements over a period of four years. Within this scheme actual costs and/or projected costs of the ensuing four years' period, as estimated by the Group's associates, were equalised by annual provisions in the profit and loss account. With effect from 1 April 2001, maintenance costs are expensed in the profit and loss account in the year in which they are incurred in accordance with SSAP 28 "Provisions, contingent liabilities and contingent assets" issued by the Hong Kong Society of Accountants. The effect of this new accounting policy has been adopted retrospectively. In adjusting prior years' figures, revenue reserves as at 1 April 2000 were restated and increased by HK\$50.8 million representing the Group's share of the reversal of the previous provision for planned maintenance.

As a result of the adoption of SSAP 28 and restating the prior years' results and reserves, the Group's profit for the year attributable to shareholders has increased by HK\$9.1 million (2001: HK\$6.7 million) as a net result of not making provisions for planned maintenance and writing off the actual maintenance costs incurred during the year.

Notes to the Accounts (continued)

c) Proposed dividends

In prior years, dividends proposed after balance sheet date were accrued as liabilities at the balance sheet date. With effect from 1 April 2001, dividends proposed after balance sheet date are not recognised as a liability in the accounting period in which they related in accordance with the revised SSAP 9 “Events after the balance sheet date” issued by the Hong Kong Society of Accountants. The new accounting policy has been adopted retrospectively. In adjusting prior years’ figures, shareholders’ funds as at 1 April 2001 were restated and increased by HK\$101.5 million (1 April 2000: HK\$101.5 million) representing the proposed final dividend for the year ended 31 March 2001.

As a result of the adoption of SSAP 9 and restating the prior years’ reserves, the Group’s shareholders’ funds at 31 March 2002 have increased by HK\$101.6 million (2001: HK\$101.5 million).

d) Segment reporting

A segment is distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. Inter-segment pricing is based on similar terms as those available to other external parties.

In note 2 to the accounts, the Group has disclosed segment revenue and results as defined under SSAP 26 “Segment reporting” issued by the Hong Kong Society of Accountants. In accordance with the Group’s internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segment as the secondary reporting format.

Notes to the Accounts (continued)

11. FIXED ASSETS

Group	Investment properties HK\$ Million	Other properties HK\$ Million	Other fixed assets HK\$ Million	Total HK\$ Million
Cost or valuation				
At 1 April 2001	4,661.1	583.6	477.4	5,722.1
Exchange differences	(40.5)	–	(0.1)	(40.6)
Additions	1.6	5.0	58.6	65.2
Disposals	(3.5)	–	(137.7)	(141.2)
Revaluation deficit	(307.1)	–	–	(307.1)
Provision for impairment	–	(41.7)	–	(41.7)
Reclassification	15.5	(17.2)	–	(1.7)
At 31 March 2002	4,327.1	529.7	398.2	5,255.0
Accumulated depreciation				
At 1 April 2001	–	31.9	338.7	370.6
Exchange differences	–	–	(0.1)	(0.1)
Charge for the year	–	6.1	64.0	70.1
Written back on disposals	–	–	(118.5)	(118.5)
Reclassification	–	(1.7)	–	(1.7)
At 31 March 2002	–	36.3	284.1	320.4
Net Book Value				
At 31 March 2002	4,327.1	493.4	114.1	4,934.6
At 31 March 2001	4,661.1	551.7	138.7	5,351.5
a) The analysis of cost or valuation of the above assets is as follows:				
At valuation in 2002	4,327.1	–	–	4,327.1
At valuation in 1995 less provision	–	438.3	–	438.3
At cost less provision	–	91.4	398.2	489.6
	4,327.1	529.7	398.2	5,255.0
b) Tenure of title to properties:				
Held in Hong Kong				
– Long lease	2,484.6	428.2	–	2,912.8
– Medium lease	–	91.4	–	91.4
Held outside Hong Kong				
– Long lease	1,842.5	–	–	1,842.5
– Medium lease	–	10.1	–	10.1
	4,327.1	529.7	–	4,856.8

Notes to the Accounts (continued)

c) Properties revaluation

- (i) The Group's investment properties have been revalued as at 31 March 2002 either by Harriman Realty Company, Limited, a subsidiary engaged in professional valuation, or an internal valuer, a qualified property appraiser in Singapore, on an open market value basis, after taking into consideration the net income allowing for reversionary potential and the redevelopment potential of the properties where appropriate.

The surplus or deficit arising on revaluation less minority interests is dealt with in investment property revaluation reserves.

- (ii) Certain other properties were valued at 31 March 1995 by Chesterton Petty Limited, on an open market value basis, after taking into account the development potential of the properties where appropriate.

- (iii) Included in other properties are properties amounting to HK\$438.3 million which are stated at professional valuations at 31 March 1995 less subsequent provisions for diminution in value.

- d) The gross amounts of fixed assets of the Group held for use in operating leases were HK\$4,327.1 million (2001: HK\$4,661.1 million).

- e) The Group leases out properties under operating leases, which generally run for an initial period of two to five years, with an option to renew the lease after that date at which time all terms are renegotiated. Lease income may be varied periodically to reflect market rentals and may contain a contingent rental element which is based on various percentages of tenants' sales receipts.

The Group's total future minimum lease income under non-cancellable operating leases is receivable as follows:

	2002 HK\$ Million	Group 2001 HK\$ Million
Within 1 year	232.5	200.5
After 1 year but within 5 years	283.0	233.3
After 5 years	7.2	11.1
	522.7	444.9

Notes to the Accounts (continued)

12. SUBSIDIARIES

	2002 HK\$ Million	Company 2001 HK\$ Million
Unlisted shares, at cost	3,495.0	3,495.0
Amounts due from subsidiaries	10,616.4	11,212.2
Amounts due to subsidiaries	(2,981.1)	–
	11,130.3	14,707.2

Details of principal subsidiaries at 31 March 2002 are shown on pages 65 and 66.

13. ASSOCIATES

	2002 HK\$ Million	Group Restated 2001 HK\$ Million
Share of net assets	27,287.1	28,931.2
Amounts due from associates	572.9	576.0
Loans from associates (Note b)	(1,803.9)	(2,362.8)
Amounts due to associates (Note c)	(2,676.7)	(2,411.0)
	23,379.4	24,733.4
a) Analysis of the cost of investment of the above:		
Shares listed in Hong Kong	11,529.7	11,529.7
Unlisted shares	95.3	95.9
	11,625.0	11,625.6
Market value of listed shares	22,669.2	24,991.1

b) Loans from associates are interest bearing at rates as determined with reference to prevailing market rates. Interest expenses in respect of loans from associates for the year ended 31 March 2002 amounted to HK\$101.8 million (2001: HK\$163.3 million).

c) Amounts due to associates are unsecured and interest free.

d) Extracts of the consolidated profit and loss account and consolidated balance sheet of The Wharf (Holdings) Limited, the significant associate of the Group, are shown on page 71.

e) Details of principal associates at 31 March 2002 are shown on page 67.

Notes to the Accounts (continued)

14. LONG-TERM INVESTMENTS

	2002 HK\$ Million	Group 2001 HK\$ Million
Non-trading equity securities, at market value		
Listed in Hong Kong	2,808.1	2,590.6
Listed outside Hong Kong	847.2	733.4
	3,655.3	3,324.0
Held-to-maturity securities		
Listed outside Hong Kong	38.6	–
Unlisted	23.4	–
Unlisted shares	10.4	11.5
	3,727.7	3,335.5
Market value of the above listed held-to-maturity securities	38.3	–

15. DEFERRED DEBTORS

Deferred debtors represent receivables due after more than one year.

16. PROPERTIES UNDER DEVELOPMENT FOR SALE AND PROPERTIES HELD FOR SALE

- a) The amount of properties under development for sale / held for sale carried at net realisable value is HK\$8,015.4 million (2001: HK\$7,190.6 million).
- b) Properties under development for sale with a carrying value of HK\$15,144.4 million (2001: HK\$6,009.7 million) is pledged as security for banking facilities made available to the Group.

17. INVENTORIES

The amount of inventories carried at net realisable value at 31 March 2002 is HK\$105.3 million (2001: HK\$68.1 million).

Notes to the Accounts (continued)

18. TRADE AND OTHER RECEIVABLES

The Group maintains defined credit policies for the respective businesses and trade debtors are closely monitored in order to control credit risk associated with trade receivables.

Included in trade and other receivables are stakeholders' deposits in the amount of HK\$1,153.1 million (2001: HK\$ nil) in respect of pre-sale of properties and trade debtors of HK\$90.3 million (2001: HK\$77.7 million). The ageing analysis of the Group's trade debtors as at 31 March 2002 is as follows:

	2002 HK\$ Million	Group 2001 HK\$ Million
Current	73.0	58.7
31 – 60 days	6.3	5.8
61 – 90 days	5.3	5.0
Over 90 days	5.7	8.2
	90.3	77.7

19. SHORT-TERM LOANS AND OVERDRAFTS

	Group		Company	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
Bank loans and overdrafts				
Unsecured	680.5	399.5	171.7	264.9
Secured	5.8	135.2	–	–
Current portion of long-term bank loans				
Unsecured	6,325.0	3,500.0	6,325.0	3,500.0
Secured	298.9	30.0	–	–
Unsecured notes (Note)	–	500.0	–	–
	7,310.2	4,564.7	6,496.7	3,764.9

Note: The unsecured notes, bearing interest at 8.75% per annum, matured on 17 December 2001.

Notes to the Accounts (continued)

20. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade creditors with an ageing analysis as at 31 March 2002 as follows:

	2002 HK\$ Million	Group 2001 HK\$ Million
Amounts payable in the next:		
0 – 30 days	501.1	387.6
31 – 60 days	146.8	152.3
61 – 90 days	24.7	29.5
Over 90 days	255.4	134.1
	928.0	703.5

21. SHARE CAPITAL

	2002 No. of shares Million	2001 No. of shares Million	2002 HK\$ Million	2001 HK\$ Million
Authorised				
Ordinary shares of HK\$0.50 each				
Balance at 1 April	2,800.0	2,420.0	1,400.0	1,210.0
Increase in authorised ordinary share capital	–	380.0	–	190.0
Balance at 31 March	2,800.0	2,800.0	1,400.0	1,400.0
Issued and fully paid				
Balance at 1 April	2,030.9	2,030.8	1,015.4	1,015.4
Exercise of share options granted under the Executive Share Incentive Scheme	0.8	0.1	0.4	–
Balance at 31 March	2,031.7	2,030.9	1,015.8	1,015.4

As at 31 March 2002, options to subscribe for 0.1 million ordinary shares of the Company at price of HK\$5.50 per share granted to a number of executives under the Company's Executive Share Incentive Scheme were unexercised. These options are exercisable between 13 April 1995 and 12 April 2002 subject to the terms of the grants.

During the year, options were exercised to subscribe for 0.8 million shares of HK\$0.50 each at considerations of HK\$5.20 and HK\$5.50 per share.

Notes to the Accounts (continued)

22. RESERVES

	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Investment property revaluation reserves HK\$ Million	Investment revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Restated Total HK\$ Million
a) Group							
Company and subsidiaries							
Balance at 1 April 2001							
As previously reported	1,909.1	19.5	1.9	87.7	165.7	8,001.1	10,185.0
Prior year adjustments in respect of							
Goodwill (Note 10a)	–	–	–	–	47.4	(47.4)	–
Proposed dividend (Note 10c)	–	–	–	–	–	101.5	101.5
As restated	1,909.1	19.5	1.9	87.7	213.1	8,055.2	10,286.5
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	–	(101.5)	(101.5)
Premium on shares issued	4.0	–	–	–	–	–	4.0
Revaluation deficit	–	–	–	(351.4)	–	–	(351.4)
Impairment provision for other properties	–	–	–	–	(29.9)	–	(29.9)
Realised on disposal	–	–	–	(0.3)	(0.8)	–	(1.1)
Exchange differences	–	–	–	–	(48.3)	–	(48.3)
Profit for the year retained	–	–	–	–	–	208.1	208.1
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	–	(50.8)	(50.8)
Balance at 31 March 2002	1,913.1	19.5	1.9	(264.0)	134.1	8,111.0	9,915.6
Associates							
Balance at 1 April 2001							
As previously reported	–	–	14,690.1	(98.5)	(242.9)	2,711.2	17,059.9
Prior year adjustments in respect of							
Goodwill (Note 10a)	–	–	–	–	113.5	(113.5)	–
Planned maintenance provision (Note 10b)	–	–	–	–	–	57.5	57.5
As restated	–	–	14,690.1	(98.5)	(129.4)	2,655.2	17,117.4
Revaluation deficit	–	–	(2,087.3)	(71.1)	–	–	(2,158.4)
Revaluation of other properties	–	–	–	–	(116.8)	–	(116.8)
Transferred to the profit and loss account on							
Disposal of non-trading securities	–	–	–	50.3	–	–	50.3
Impairment of non-trading securities	–	–	–	171.2	–	–	171.2
Goodwill written off on disposal of an associate	–	–	–	–	144.1	–	144.1
Others	–	–	–	–	7.4	–	7.4
Profit for the year retained	–	–	–	–	–	338.5	338.5
Balance at 31 March 2002	–	–	12,602.8	51.9	(94.7)	2,993.7	15,553.7
Total reserves at 31 March 2002	1,913.1	19.5	12,604.7	(212.1)	39.4	11,104.7	25,469.3

Notes to the Accounts (continued)

	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Investment property revaluation reserves HK\$ Million	Investment revaluation reserves HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Restated Total HK\$ Million
a) Group							
Company and subsidiaries							
Balance at 1 April 2000							
As previously reported	1,908.6	19.5	1.9	183.8	246.3	8,159.9	10,520.0
Prior year adjustments in respect of							
Goodwill (Note 10a)	–	–	–	–	47.4	(47.4)	–
Proposed dividend (Note 10c)	–	–	–	–	–	101.5	101.5
As restated	1,908.6	19.5	1.9	183.8	293.7	8,214.0	10,621.5
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	–	–	(101.5)	(101.5)
Premium on shares issued	0.5	–	–	–	–	–	0.5
Revaluation surplus	–	–	–	7.4	–	–	7.4
Net provision	–	–	–	21.7	–	–	21.7
Realised on disposal	–	–	–	(110.4)	–	–	(110.4)
Exchange differences	–	–	–	–	(123.0)	–	(123.0)
Provision for other properties written back	–	–	–	–	36.9	–	36.9
Reserves arising on consolidation	–	–	–	–	4.3	–	4.3
Reclassification	–	–	–	(14.8)	–	(57.9)	(72.7)
Others	–	–	–	–	1.2	–	1.2
Profit for the year retained	–	–	–	–	–	51.4	51.4
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	–	–	(50.8)	(50.8)
Balance at 31 March 2001	1,909.1	19.5	1.9	87.7	213.1	8,055.2	10,286.5
Associates							
Balance at 1 April 2000							
As previously reported	–	–	13,676.6	200.8	(358.5)	2,188.1	15,707.0
Prior year adjustments in respect of							
Goodwill (Note 10a)	–	–	–	–	113.5	(113.5)	–
Planned maintenance provision (Note 10b)	–	–	–	–	–	50.8	50.8
As restated	–	–	13,676.6	200.8	(245.0)	2,125.4	15,757.8
Revaluation surplus	–	–	1,009.1	50.5	–	–	1,059.6
Revaluation of other properties	–	–	–	–	56.3	–	56.3
Realised on disposal	–	–	–	(364.6)	–	–	(364.6)
Reserves arising on consolidation	–	–	–	–	76.5	–	76.5
Reclassification	–	–	4.4	14.8	(4.4)	57.9	72.7
Others	–	–	–	–	(12.8)	–	(12.8)
Profit for the year retained	–	–	–	–	–	471.9	471.9
Balance at 31 March 2001	–	–	14,690.1	(98.5)	(129.4)	2,655.2	17,117.4
Total reserves at 31 March 2001	1,909.1	19.5	14,692.0	(10.8)	83.7	10,710.4	27,403.9

Included in other capital reserves is negative goodwill of HK\$146.8 million (2001: HK\$146.8 million).

Notes to the Accounts (continued)

	Share premium HK\$ Million	Capital redemption reserve HK\$ Million	Other capital reserves HK\$ Million	Revenue reserves HK\$ Million	Restated Total HK\$ Million
b) Company					
Balance at 1 April 2001					
As previously reported	1,909.1	19.5	77.2	1,477.0	3,482.8
Prior year adjustment in respect of proposed dividend (Note 10c)	–	–	–	101.5	101.5
As restated	1,909.1	19.5	77.2	1,578.5	3,584.3
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	(101.5)	(101.5)
Premium on shares issued	4.0	–	–	–	4.0
Profit for the year retained	–	–	–	167.7	167.7
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	(50.8)	(50.8)
Balance at 31 March 2002	1,913.1	19.5	77.2	1,593.9	3,603.7
Balance at 1 April 2000					
As previously reported	1,908.6	19.5	77.2	1,459.8	3,465.1
Prior year adjustment in respect of proposed dividend (Note 10c)	–	–	–	101.5	101.5
As restated	1,908.6	19.5	77.2	1,561.3	3,566.6
Final dividend approved in respect of the previous year (Note 8b)	–	–	–	(101.5)	(101.5)
Premium on shares issued	0.5	–	–	–	0.5
Profit for the year retained	–	–	–	169.5	169.5
Interim dividend declared in respect of the current year (Note 8a)	–	–	–	(50.8)	(50.8)
Balance at 31 March 2001	1,909.1	19.5	77.2	1,578.5	3,584.3

Reserves of the Company available for distribution to shareholders at 31 March 2002 amounted to HK\$1,593.9 million (2001: restated HK\$1,578.5 million).

Notes to the Accounts (continued)

23. LONG-TERM BANK LOANS

	Group		Company	
	2002 HK\$ Million	2001 HK\$ Million	2002 HK\$ Million	2001 HK\$ Million
Secured bank loans				
Repayable after 1 year, but within 2 years	140.0	1,255.9	–	–
Repayable after 2 years, but within 5 years	1,072.9	718.0	–	–
Repayable after 5 years	953.0	–	–	–
	2,165.9	1,973.9	–	–
Unsecured bank loans				
Repayable after 1 year, but within 2 years	4,800.0	6,325.0	–	6,325.0
Repayable after 2 years, but within 5 years	2,350.0	4,100.0	–	–
	7,150.0	10,425.0	–	6,325.0
	9,315.9	12,398.9	–	6,325.0

A bank loan of HK\$953.0 million with an original term of over one year and repayable on 7 March 2003 remains classified as a non-current liability in the balance sheet as an agreement has been reached with the banker to refinance the loan on a long-term basis.

24. DEFERRED TAXATION

	Group	
	2002 HK\$ Million	2001 HK\$ Million
At 1 April	790.8	734.9
Exchange differences	(15.4)	(37.2)
Transferred (to)/from profit and loss account (Note 6)	(665.0)	93.1
At 31 March	110.4	790.8
Major components of deferred taxation provided are set out below:		
Profit on pre-sale of properties	71.4	625.3
Surplus on revaluation of a property on acquisition of subsidiaries	39.0	165.5
	110.4	790.8

Notes to the Accounts (continued)

25. CONTINGENT LIABILITIES

At 31 March 2002

- a) There were contingent liabilities in respect of guarantees given by the Company on behalf of subsidiaries relating to banking facilities up to HK\$15,601.6 million (2001: HK\$6,172.3 million).
- b) Guarantees given by the Group in respect of banking facilities available to associates amounted to HK\$601.4 million (2001: HK\$595.3 million) of which HK\$320.2 million (2001: HK\$322.4 million) had been drawn.
- c) The Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.

26. COMMITMENTS
a) Commitments in respect of property developments and capital expenditures

	2002 HK\$ Million	Group 2001 HK\$ Million
Contracted but not provided for	3,064.2	4,379.5

b) Capital commitments in respect of investments in China projects

	2002 HK\$ Million	Group 2001 HK\$ Million
Contracted but not provided for	501.9	1,504.6

c) Operating lease commitments

The Group's total future minimum lease payments under non-cancellable operating leases are payable as follows:

	2002 HK\$ Million	Group 2001 HK\$ Million
Within 1 year	188.8	268.6
After 1 year but within 5 years	139.3	280.0
After 5 years	0.3	6.8
	328.4	555.4

d) Forward exchange contracts

	2002 HK\$ Million	Group 2001 HK\$ Million
Forward exchange contracts outstanding	2,069.8	798.2

Notes to the Accounts (continued)

27. RELATED PARTY TRANSACTIONS

Except for the transactions noted below, the Group has not been a party to any material related party transactions during the year ended 31 March 2002:

- a) Loans and amounts due to associates of HK\$4,457.4 million (2001: HK\$4,750.8 million) were advanced from certain associates for the Bellagio and Sorrento projects, further details of which are disclosed in note 13 to the accounts.
- b) As disclosed in note 25(c), the Company together with two non wholly-owned subsidiaries and two associates have jointly and severally guaranteed the performance and observance of the terms by another subsidiary under an agreement for the development of the Sorrento project.
- c) During the financial year, the Group has disposed of its 100% interest in several sites at Yau Tong to an associate, The Wharf (Holdings) Limited, for a total consideration of HK\$753.5 million. The consideration was calculated on the basis of the value of the properties as assessed by an independent valuer. This transaction was previously announced on 18 July 2001.

28. POST BALANCE SHEET EVENTS

After the balance sheet date the Directors proposed a final dividend. Further details are disclosed in note 8 to the accounts.

29. COMPARATIVE FIGURES

Certain comparative figures have been adjusted as a result of changes in accounting policies for goodwill/negative goodwill, planned maintenance provision, proposed dividends and segment reporting in order to comply with SSAPs 30, 28, 9 and 26 respectively, details of which are set out in note 10 to the accounts.

30. APPROVAL OF ACCOUNTS

The accounts were approved and authorised for issue by the Board of Directors on 14 June 2002.