

# Notes to the Financial Statements

*For the year ended 30th June, 2002*

## 1. GENERAL

The Company is a public limited company incorporated in Hong Kong and its shares are listed on The Stock Exchange of Hong Kong Limited.

The principal activities of the Group are investment in infrastructure projects, property letting, property agency and management, hotel operations and management, restaurant operation and food catering, construction and project management.

## 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has adopted, for the first time, a number of new and revised Statements of Standard Accounting Practice ("SSAP(s)") issued by the Hong Kong Society of Accountants ("HKSA") which has resulted in the adoption of the following new/revised accounting policies.

### Dividends proposed or declared after the balance sheet date

In accordance with SSAP 9 (Revised) "Events after the Balance Sheet Date", dividends proposed or declared after the balance sheet date are not recognised as a liability at the balance sheet date, but are disclosed as a separate component of equity in the notes to the financial statements. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. Comparative amounts have been restated to achieve a consistent presentation.

### Provisions

In accordance with SSAP 28 "Provisions, Contingent Liabilities and Contingent Assets", provisions are recognised when the Group has a present obligation as a result of a past event which it is probable will result in an outflow of economic benefits that can be reasonably estimated. Adoption of this accounting policy has resulted in the derecognition of a general provision recognised in previous years in respect of hotel maintenance. This change in accounting policy has been applied retrospectively, resulting in a prior period adjustment. Comparative amounts have been restated to achieve a consistent presentation.

### Segment reporting

In the current year, the Group has changed the basis of identification of reportable segments to that required by SSAP 26 "Segment Reporting". Segment disclosures for the year ended 30th June, 2001 have been amended so that they are presented on a consistent basis.

### Goodwill

Previously, goodwill/negative goodwill arising on the acquisition of a subsidiary, a jointly controlled entity or an associate was dealt with in reserves.

In the current year, the Group has adopted SSAP 30 "Business Combinations" and has elected to restate goodwill (negative goodwill) previously eliminated against (credited to) reserves. Accordingly, the amount of such goodwill (negative goodwill) has been remeasured in accordance with the requirements of SSAP 30. Amortisation in respect of goodwill between the date of acquisition of the relevant subsidiary, jointly controlled entity or associate and the date of adoption of SSAP 30 has been recognised retrospectively. Negative goodwill which would have been recognised as income between the date of acquisition of the relevant subsidiary, jointly controlled entity or associate and the date of adoption of SSAP 30 has been recognised retrospectively. Following the adoption of SSAP 30, goodwill arising on acquisitions will be capitalised and amortised on a straight-line basis over its useful economic life. Negative goodwill will be presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which such negative goodwill resulted.

## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 2. ADOPTION OF STATEMENTS OF STANDARD ACCOUNTING PRACTICE/ CHANGES IN ACCOUNTING POLICIES *(continued)*

The adoption of the new/revised accounting policies has had no material effect on the results for the current or the comparative prior year, but has resulted in restatements of certain balance sheet items which are summarised below:

	Capital reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
Balance at 1st July, 2000				
As previously stated	12,711	–	314,627	327,338
SSAP 9 (Revised) –				
Derecognition of liability for final dividend for the year ended 30th June, 2000	–	52,559	–	52,559
SSAP 28 –				
Derecognition of provision for hotel maintenance	–	–	26,589	26,589
SSAP 30 –				
Goodwill previously eliminated against capital reserve amortised	99,992	–	(99,992)	–
Negative goodwill previously credited to capital reserve released to income	(29,707)	–	29,707	–
As restated	82,996	52,559	270,931	406,486

### 3. PRINCIPAL ACCOUNTING POLICIES

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

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

#### Basis of consolidation

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

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

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

#### Goodwill/negative goodwill

Goodwill/negative goodwill arising on consolidation represents the excess/shortfall of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, a jointly controlled entity or an associate at the date of acquisition.

Goodwill arising on acquisition is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet. Goodwill arising on the acquisition of a jointly controlled entity or an associate is included within the carrying amount of the jointly controlled entity or associate.

Negative goodwill arising on acquisitions is presented as a deduction from assets and will be released to income based on an analysis of the circumstances from which the balance resulted.

# Notes to the Financial Statements *(continued)*

*For the year ended 30th June, 2002*

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Goodwill/negative goodwill *(continued)*

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

Negative goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet as a deduction from assets. Negative goodwill arising on the acquisition of a jointly controlled entity or an associate is deducted from the carrying value of that jointly controlled entity or associate.

### Subsidiaries

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

### Jointly controlled entities

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and over which none of the participating parties has unilateral control. Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The consolidated income statement includes the Group's share of the post-acquisition results of its jointly controlled entities for the year. In the consolidated balance sheet, investments in jointly controlled entities are stated at cost less amortisation and any identified impairment losses plus the Group's attributable share of the undistributed post-acquisition reserves of the jointly controlled entities. The cost of investments in jointly controlled entities comprises capital contributed, development expenditure incurred by the Group, financial expenses capitalised less interest income on advances to jointly controlled entities deferred to the extent of the Group's interest therein during the development stage of the projects undertaken by the jointly controlled entities.

The cost of investments, to the extent not borne by the jointly controlled entities, is amortised on the same basis as that adopted by the relevant jointly controlled entity in respect of depreciation of its project cost, over the joint venture period commencing from the date of operation of the project undertaken.

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

### Associates

The consolidated income statement includes the Group's share of the post-acquisition results of its associates calculated based on their financial statements made up to a date not more than six months before the balance sheet date. In the consolidated balance sheet, interests in associates are stated at the Group's share of the net assets of the associates.

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

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

# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Other investments

Development expenditure incurred under the terms of a concession agreement for the investment in a superstructure project during the development stage is carried in the consolidated balance sheet at cost less any identified impairment losses. Development expenditure includes construction costs, other incidental costs and attributable borrowing costs.

Investment securities, which are securities held for an identified long-term purpose, are measured at reporting dates at cost less any identified impairment losses.

### Investment properties

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

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

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

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

### Property, plant and equipment

Property, plant and equipment are stated at cost less, where appropriate, depreciation and any identified impairment losses. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in the income statement.

It is the Group's practice to maintain its hotel property in a continual state of sound repairs and maintenance and to make improvements from time to time, accordingly the directors consider that depreciation is not necessary as the property maintains a residual value at least equal to its carrying amount. Repairs and maintenance expenditure is charged to the income statement when incurred.

No depreciation is provided on the power plant, the development of which has been suspended. Depreciation is provided to write off the cost of other property, plant and equipment over their estimated useful lives from the date they become fully operational and after taking into account their estimated residual value, using the straight line method, at the following rates per annum:

Category of assets	Estimated useful lives
Leasehold land	Over the term of the lease
Buildings	50 years or the remaining term of the land lease, whichever is shorter
Other assets	3 to 10 years

### Development properties

Properties held for or under development are stated at cost less any identified impairment losses. The cost of such properties comprises land cost, development expenditure, other attributable expenses and, where appropriate, borrowing costs capitalised.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in, first-out method.

# Notes to the Financial Statements *(continued)*

*For the year ended 30th June, 2002*

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Properties for sale

Properties for sale are stated at the lower of cost, comprising land and development cost, and net realisable value.

### Impairment

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

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

### Construction contracts

When the outcome of a construction contract can be estimated reliably, contract costs are charged to the income statement by reference to the stage of completion of the contract activity at the balance sheet date, as measured by the proportion that costs incurred to date bear to estimated total costs for the contract.

When the outcome of a construction contract cannot be estimated reliably, contract costs are recognised as an expense in the period in which they are incurred.

When it is probable that total contract cost will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When a contract covers a number of assets, the construction of each asset is treated as a separate contract when separate proposals have been submitted for each asset, each asset has been separately negotiated and the costs and revenues of each asset can be separately identified. A group of contracts, performed concurrently or in a continuous sequence, is treated as a single construction contract when they were negotiated as a single package and are so closely inter-related that they constitute a single project with an overall profit margin.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is shown as an amount due from customers for contract work. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is shown as an amount due to customers for contract work. Amounts received before the related work is performed are included in the balance sheet, as a liability, as advances received. Amounts billed for work performed but not yet paid by customers are included in the balance sheet under trade and other receivables.

### Operating leases

Operating leases are leases whereby substantially all the risks and rewards of ownership of the assets remain with the lessors. Rentals payable (receivable) under operating leases are charged (credited) to the income statement on a straight line basis over the terms of the respective leases.

### Foreign currencies

Monetary assets and liabilities denominated in currencies other than Hong Kong dollars are re-translated into Hong Kong dollars at the rates of exchange ruling on the balance sheet date. Transactions in currencies other than Hong Kong dollars are translated into Hong Kong dollars at the rates of exchange ruling on the transaction dates. Exchange differences arising from foreign currency borrowings for the purpose of financing qualifying assets under development prior to completion, to the extent that they are regarded as adjustments to interest cost, are capitalised in accordance with the Group's accounting policy and form part of the cost of such assets. Other exchange differences are dealt with in the income statement.

On consolidation, the financial statements of subsidiaries, jointly controlled entities and associates established outside Hong Kong, which are expressed in currencies other than Hong Kong dollars, are translated into Hong Kong dollars at the rates of exchange ruling on the balance sheet date. Exchange differences arising therefrom are dealt with in exchange equalisation reserve.

# Notes to the Financial Statements *(continued)*

*For the year ended 30th June, 2002*

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Taxation

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

### Notes payable

Unsecured notes payable are separately disclosed and regarded as liabilities. The note issue expenses, which represent the discount on issue of notes and expenses incurred directly in connection with the issue, are deferred and amortised over the period of the notes so as to produce a constant periodic rate of charge on the carrying amount of the notes.

If any of the notes outstanding are repurchased by the Group prior to their maturity date, any gain or loss, representing the difference between the purchase price and the principal amount of the notes repurchased together with the related unamortised note issue expenses and outstanding interest thereon, is dealt with in the income statement. The Group's liability in respect of notes payable is presented net of the principal amount of notes repurchased.

### Capitalisation of borrowing costs

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

Project financing costs, which represent all origination costs, including arrangement fees, legal fees and other related costs, directly associated with the arrangement of loans intended to finance the development and construction of a viable project, are deferred and amortised over the terms of the loans.

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

### Revenue recognition

#### *Lease of properties*

Rental income in respect of properties under operating leases is recognised on a straight line basis over the respective lease term.

#### *Hotel operations and management*

Revenue from hotel operations and management is recognised when the relevant services are provided.

#### *Restaurant operation and food catering*

Revenue from restaurant operation and food catering services is recognised when goods are delivered and services are provided.

# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 3. PRINCIPAL ACCOUNTING POLICIES *(continued)*

### Revenue recognition *(continued)*

#### Construction and project management

When the outcome of a construction contract can be estimated reliably, revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to the proportion that costs incurred to date bear to estimated total costs for each contract. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

When the outcome of a construction contract can be estimated reliably, revenue from cost-plus contracts is recognised by reference to the recoverable costs incurred during the period plus the fees earned, measured by the proportion that costs incurred to date bear to the estimated total costs of the contract.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable.

Income from project management is recognised when the relevant services are provided and the right to receive payment is established.

#### Property agency and management

Revenue from the provision of property agency and management services is recognised when the relevant services are provided.

#### Interest income

Interest income from bank deposits, loans receivable and infrastructure project investments is recognised on a time basis by reference to the principal outstanding and at the interest rate applicable.

#### Dividend income

Dividend from investments is recognised when the Group's rights to receive payment have been established.

#### Sales of investments

Revenue from sales of investments is recognised when the relevant sale contract becomes unconditional.

## 4. TURNOVER

Turnover comprises income from infrastructure project investments, property letting, property agency and management, hotel operations and management, restaurant operations and food catering, and construction and project management, analysed as follows:

	2001 HK\$'000	2002 HK\$'000
Infrastructure project investments	531,466	222,738
Property letting, agency and management	369,964	354,176
Hotel operations and management	143,612	132,893
Restaurant operations and food catering	131,936	116,784
Construction and project management	517,608	276,515
Other activities	55,517	29,377
	1,750,103	1,132,483

Note:

The turnover from infrastructure project investments shown above includes interest income from jointly controlled entities of approximately HK\$202 million (2001: HK\$519 million).

# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS

### Business Segments

The businesses based upon which the Group reports its primary segment information are as follows:

Infrastructure projects	–	investments in infrastructure projects
Property investment	–	property letting, agency and management
Hotel operations	–	hotel operations and management
Restaurant and catering	–	restaurant operations and food catering
Construction	–	construction and project management

Segment information about these businesses is presented below.

### Segment revenue

Year ended 30th June, 2002

	2001			2002		
	External HK\$'000	Inter-segment HK\$'000	Consolidated HK\$'000	External HK\$'000	Inter-segment HK\$'000	Consolidated HK\$'000
Infrastructure projects	531,466	–	531,466	222,738	–	222,738
Property investment	369,964	22,953	392,917	354,176	22,402	376,578
Hotel operations	143,612	758	144,370	132,893	446	133,339
Restaurant and catering	131,936	1,099	133,035	116,784	1,255	118,039
Construction	517,608	197	517,805	276,515	4,289	280,804
Other operations	55,517	–	55,517	29,377	–	29,377
Eliminations	–	(25,007)	(25,007)	–	(28,392)	(28,392)
Segment revenue	1,750,103	–	1,750,103	1,132,483	–	1,132,483

Inter-segment revenue was charged at prices determined by management with reference to market prices.

### Segment results

Year ended 30th June, 2002

	2001				2002			
	Company and subsidiaries	Jointly controlled entities	Associates	Total	Company and subsidiaries	Jointly controlled entities	Associates	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Infrastructure projects	490,523	245,079	–	735,602	161,153	515,594	–	676,747
Property investment	234,975	–	4,196	239,171	229,700	–	3,992	233,692
Hotel operations	21,340	–	12,817	34,157	16,991	–	9,407	26,398
Restaurant and catering	(1,098)	–	–	(1,098)	876	–	–	876
Construction	9,482	–	(49)	9,433	(26,651)	–	3,732	(22,919)
Other operations	42,999	(39,685)	2,462	5,776	17,046	(1,674)	26,687	42,059
Segment results from operations	798,221	205,394	19,426	1,023,041	399,115	513,920	43,818	956,853



# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

### Business Segments *(continued)*

#### Segment results *(continued)*

Year ended 30th June, 2002

	2001 HK\$'000	2002 HK\$'000
Segment results		
– Operations	798,221	399,115
– Impairment loss on a hotel property under development	(290,000)	–
	508,221	399,115
Interest and other income	38,569	54,640
Unallocated corporate expenses	(50,366)	(58,098)
Profit from operations	496,424	395,657
Profit on disposal of interest in a jointly controlled entity	381,832	191,385
Finance costs	(767,550)	(781,836)
Share of results of		
– jointly controlled entities	205,394	513,920
– associates	19,426	43,818
Profit before taxation	335,526	362,944
Taxation	(26,509)	(13,355)
Profit before minority interests	309,017	349,589
Minority interests	(3,507)	(9,799)
Net profit for the year	305,510	339,790

#### Assets and Liabilities

At 30th June, 2002

	Assets			Liabilities	
	Company and subsidiaries HK\$'000	Interests in jointly controlled entities HK\$'000	Interests in associates HK\$'000	Consolidated total assets HK\$'000	Consolidated total liabilities HK\$'000
Infrastructure projects	2,448	8,207,859	10,671	8,220,978	22,351
Property investment	6,019,283	–	29,540	6,048,823	102,184
Hotel operations	636,710	–	40,686	677,396	25,831
Restaurant and catering	21,225	–	–	21,225	10,223
Construction	137,037	–	10,560	147,597	222,633
Other operations	687,314	435,517	342	1,123,173	20,513
Segment assets/liabilities	7,504,017	8,643,376	91,799	16,239,192	403,735
Restricted bank deposits				5,086,602	–
Unsecured notes payable				–	4,501,724
Other assets/liabilities				1,799,233	4,404,880
				23,125,027	9,310,339

# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 5. BUSINESS AND GEOGRAPHICAL SEGMENTS *(continued)*

### Business Segments *(continued)*

#### Assets and Liabilities *(continued)*

At 30th June, 2001

	Assets			Liabilities	
	Company and subsidiaries HK\$'000	Interests in jointly controlled entities HK\$'000	Interests in associates HK\$'000	Consolidated total assets HK\$'000	Consolidated total liabilities HK\$'000
Infrastructure projects	3,791	13,987,195	10,654	14,001,640	3,574
Property investment	6,403,521	–	27,113	6,430,634	106,836
Hotel operations	621,062	–	55,874	676,936	20,261
Restaurant and catering	17,811	–	–	17,811	10,044
Construction	148,907	–	6,794	155,701	269,681
Other operations	528,908	658,844	342	1,188,094	52,773
<b>Segment assets/liabilities</b>	<b>7,724,000</b>	<b>14,646,039</b>	<b>100,777</b>	<b>22,470,816</b>	<b>463,169</b>
Unsecured notes payable				–	4,408,847
Other assets/liabilities				1,723,344	5,343,566
				<b>24,194,160</b>	<b>10,215,582</b>

At the balance sheet date, the Group's total assets less current liabilities and the Group's net current liabilities amounted to HK\$18,210,616,000 (2001: HK\$21,988,826,000) and HK\$876,738,000 (2001: HK\$1,330,648,000) respectively.

### Other Information

	2001				2002			
	Capital additions HK\$'000	Depreciation and amortisation HK\$'000	Impairment losses recognised in income statement HK\$'000	Other non-cash expenses HK\$'000	Capital additions HK\$'000	Depreciation and amortisation HK\$'000	Impairment losses recognised in income statement HK\$'000	Other non-cash expenses HK\$'000
Infrastructure projects	313	36,585	–	–	221	40,599	–	–
Property investment	4,247	4,906	–	13,365	7,142	2,973	–	1,372
Hotel operations	25,068	306	290,000	–	2,388	418	–	410
Restaurant and catering	4,764	8,091	–	–	3,260	1,700	–	96
Construction	277	1,191	–	3	693	1,197	–	18

## Notes to the Financial Statements (continued)

For the year ended 30th June, 2002

### 5. BUSINESS AND GEOGRAPHICAL SEGMENTS (continued)

#### Geographical Segments

The Group's property investment, hotel operations, restaurant and catering, and construction activities are carried out in Hong Kong. All the infrastructure project investments are located in other regions in the People's Republic of China (the "PRC"). The following table provides an analysis of the Group's turnover and contribution to profit from operations by geographical market:

	Turnover by geographical market		Contribution to profit from operations	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Hong Kong	1,132,465	881,345	221,436	198,695
Other regions in the PRC	613,040	251,138	578,007	219,044
Republic of Malta	–	–	(290,000)	(12,330)
Other regions	4,598	–	(13,019)	(9,752)
	1,750,103	1,132,483	496,424	395,657

The following is an analysis of the carrying amounts of segment assets and additions to investment properties and property, plant and equipment, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to investment properties, property, plant and equipment	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Hong Kong	7,568,908	7,290,549	11,127	14,145
Other regions in the PRC	14,706,449	8,732,124	–	–
Republic of Malta	134,227	147,478	–	–
Other regions	61,232	69,041	–	–
	22,470,816	16,239,192	11,127	14,145

### 6. OTHER OPERATING INCOME

	2001 HK\$'000	2002 HK\$'000
Included in other operating income are the following:		
Interest from bank deposits	–	54,018
Dividend from unlisted investments	–	467
Gain on repurchase of notes	22,791	620
Exchange gains	17,442	–

# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 7. PROFIT FROM OPERATIONS

	2001 HK\$'000	2002 HK\$'000
Profit from operations has been arrived at after charging (crediting):		
Auditors' remuneration	4,457	4,328
Depreciation of property, plant and equipment	15,908	7,636
Amortisation of cost of investment in jointly controlled entities	36,543	40,504
Allowances for doubtful trade receivables	13,109	1,896
Rentals in respect of properties under operating leases	500	624
Staff costs (including directors' emoluments)	214,290	206,815
Exchange losses	–	65
Rental income in respect of land and buildings under operating leases, less outgoings of HK\$112,590,000 (2001: HK\$115,006,000)	(245,699)	(234,842)

## 8. PROFIT ON DISPOSAL OF INTEREST IN A JOINTLY CONTROLLED ENTITY

The agreement for the disposal of Shenzhen Huanghe Real Estate Development Company Limited, the jointly controlled entity undertaking a property development project in Huanggang, Shenzhen of the PRC, which was entered into in the prior year, has become effective during the year. The disposal has resulted in a profit before taxation of HK\$191,385,000 which has been recognised in the current year.

The prior year's profit on disposal of a jointly controlled entity was derived from the disposal of the Group's 25% interest in Shunde Municipal Shunhope Highway Construction Company Limited, the entity undertaking a highway project in Shunde, the PRC.

## 9. FINANCE COSTS

	2001 HK\$'000	2002 HK\$'000
Interest expenses		
Interest on:		
Bank loans and overdrafts	352,797	124,911
Notes		
– wholly payable within five years	154,917	447,178
– not wholly payable within five years	313,630	–
Other loans wholly payable within five years	30,890	33,021
Warranties wholly payable within five years	27,296	–
Total interest	879,530	605,110
Less: Amount borne by a jointly controlled entity	(126,456)	–
Amounts capitalised on:		
Infrastructure projects	(19,613)	(6,000)
Properties under development	(7,424)	–
	726,037	599,110
Other finance costs		
Premium on early redemption of notes	–	112,528
Note issue expenses amortised	17,260	56,720
Loan arrangement fees and bank charges	24,253	13,478
	41,513	182,726
	767,550	781,836

## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 10. TAXATION

	2001 HK\$'000	2002 HK\$'000
The (charge) credit comprises:		
The Company and subsidiaries		
Hong Kong profits tax		
Current year's provision	(571)	(2,644)
Overprovision in prior years	1,200	–
Taxation elsewhere		
Current year's provision	(14,406)	(23,168)
Overprovision in prior years	5,287	83,712
	(8,490)	57,900
Jointly controlled entities		
Taxation elsewhere	(9,457)	(7,194)
Deferred taxation	–	(54,900)
	(9,457)	(62,094)
Associates		
Hong Kong profits tax	(877)	(864)
Taxation elsewhere	(7,685)	(8,297)
	(8,562)	(9,161)
	(26,509)	(13,355)

Provision for Hong Kong profits tax is calculated at the rate of 16% (2001: 16%) on the estimated assessable profits for the year. Taxes on profits assessable elsewhere are calculated at rates prevailing in the countries in which the Group operates.

During the year, the agreement by a joint venture partner of a jointly controlled entity undertaking an infrastructure project to be responsible for payment of the PRC withholding tax payable on the interest income derived by the Group from advances made to this entity has been finalised. Potential withholding tax amounted to a total of approximately HK\$83.7 million previously provided for has been written back in the current year.

Deferred tax has not been provided on the increase or decrease arising on revaluation of investment properties as the profits or losses arising from disposal of these assets would not be subject to taxation. Accordingly, the valuation increase or decrease does not constitute a timing difference for deferred tax purposes.

Deferred taxation has not been accounted for by the Group as there are no material timing differences.

### 11. DIVIDENDS

	2001 HK\$'000	2002 HK\$'000
Dividend paid		
Interim: HK 6 cents (2001: HK 5 cents) per share	43,799	52,559
Dividend proposed		
Final: HK 7 cents (2001: HK 7 cents) per share	61,319	61,319
Special: HK 30 cents (2001: Nil) per share	–	262,794
	105,118	376,672

The final dividend of HK 7 cents (2001: HK 7 cents) per share and the special dividend of HK 30 cents (2001: Nil) per share have been proposed by the directors and are subject to approval by the shareholders in general meeting.

# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 12. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the net profit for the year of HK\$339,790,000 (2001: HK\$305,510,000) and on 875,982,121 (2001: 875,982,121) ordinary shares in issue during the year.

Diluted earnings per share for the current year is not shown because the exercise price of the share options granted by the Company was higher than the average market price for shares for the year. The Company had no dilutive potential ordinary shares outstanding during the year ended 30th June, 2001.

## 13. EMOLUMENTS OF DIRECTORS AND HIGHEST PAID EMPLOYEES

### (a) Directors' emoluments

	The Group	
	2001 HK\$'000	2002 HK\$'000
Directors' fees	410	480
Basic salaries, allowances and benefits-in-kind	9,780	12,851
Performance related bonus	–	960
Contributions to provident funds	22	56
	10,212	14,347

Emoluments of the directors are within the following bands:

HK\$	2001 Number of directors	2002 Number of directors
Nil – 1,000,000	8	7
1,000,001 – 1,500,000	2	4
1,500,001 – 2,000,000	3	5
2,500,001 – 3,000,000	1	–

Other than fees of HK\$150,000 (2001: HK\$158,000) paid/payable to the independent non-executive directors which have been included above, no remuneration was paid or is payable to such directors.

### (b) Highest paid employees' emoluments

The five individuals in the Group with the highest emoluments are the directors of the Company, including an employee who has become a director of the Company during the year. The emoluments of these five individuals for the year are analysed below:

	The Group	
	2001 HK\$'000	2002 HK\$'000
Directors' fees	160	110
Basic salaries, allowances and benefits-in-kind	8,891	8,313
Performance related bonus	100	810
Contributions to provident funds	28	50
	9,179	9,283

The emoluments of these five individuals are within the following bands:

HK\$	2001 Number of individuals	2002 Number of individuals
1,000,001 – 1,500,000	1	–
1,500,001 – 2,000,000	3	4
2,000,001 – 2,500,000	–	1
2,500,001 – 3,000,000	1	–

# Notes to the Financial Statements (continued)

For the year ended 30th June, 2002

## 14. INVESTMENT PROPERTIES

	The Group	
	2001 HK\$'000	2002 HK\$'000
Investment properties at valuation		
At beginning of the year	6,357,500	6,384,800
Additions during the year	4,567	4,379
Construction cost adjustment	(18,082)	(4,326)
Revaluation increase (decrease)	40,815	(398,553)
At end of the year	6,384,800	5,986,300
	2001 HK\$'000	2002 HK\$'000
The net book value of the Group's investment properties comprises:		
Land and buildings in Hong Kong on		
Long leases	3,270,000	3,017,000
Medium-term leases	3,114,800	2,969,300
	6,384,800	5,986,300

The Group's investment properties were revalued at 30th June, 2002 on an open market value basis by FPDSavills (Hong Kong) Limited, an independent firm of professional property valuers. The decrease arising on revaluation has been charged to the investment property revaluation reserve (note 28).

Investment properties of the Group with an aggregate carrying value of approximately HK\$4,249 million (2001: HK\$4,750 million) were rented out under operating leases at the balance sheet date.

## 15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings Hotel property HK\$'000	Other properties HK\$'000	Power plant (note b) HK\$'000	Other assets HK\$'000	Total HK\$'000
<b>THE GROUP</b>					
<b>COST</b>					
At 1st July, 2001	474,872	31,094	2,303,407	345,653	3,155,026
Additions	–	–	–	9,766	9,766
Disposals	–	–	–	(35,853)	(35,853)
At 30th June, 2002	474,872	31,094	2,303,407	319,566	3,128,939
<b>DEPRECIATION AND IMPAIRMENT</b>					
At 1st July, 2001	–	7,552	1,703,348	325,141	2,036,041
Provided for the year	–	584	–	7,052	7,636
Eliminated on disposals	–	–	–	(34,145)	(34,145)
At 30th June, 2002	–	8,136	1,703,348	298,048	2,009,532
<b>NET BOOK VALUES</b>					
At 30th June, 2002	474,872	22,958	600,059	21,518	1,119,407
At 30th June, 2001	474,872	23,542	600,059	20,512	1,118,985

Notes:

- (a) The land and buildings of the Group are situated in Hong Kong on medium-term leases.
- (b) The power plant, referred to as the Tanjung Jati B Power Station, is located in Central Java, Indonesia and its development has been suspended. The cost of the power plant includes the cost of land sites situated in Indonesia held on medium-term leases amounted to approximately HK\$146 million (2001: HK\$146 million). The title of certain land sites for the plant have not yet been transferred to the Group. Impairment loss on the power plant amounted to HK\$1,703 million has been recognised in prior years.

## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 16. INTERESTS IN SUBSIDIARIES

	The Company	
	2001 HK\$'000	2002 HK\$'000
Unlisted shares		
At cost less impairment	162,103	147,162
At directors' 1972 valuation less amounts written off	12,245	12,245
	174,348	159,407
Amounts due from subsidiaries less allowances	13,231,676	13,260,814
	13,406,024	13,420,221

Details of the principal subsidiaries are set out in note 38.

### 17. INTERESTS IN JOINTLY CONTROLLED ENTITIES

	The Group	
	2001 HK\$'000	2002 HK\$'000
Road and property projects in the PRC		
Unlisted investments, at cost	5,888,359	5,814,422
Share of post acquisition reserves	342,523	659,339
Loans to jointly controlled entities	8,086,666	1,898,214
Less: Accumulated amortisation	(123,612)	(164,116)
	14,193,936	8,207,859
Property development project in Macau		
Unlisted investments, at cost	4,850	4,850
Share of post acquisition reserves	(41,911)	(43,585)
Loan to a jointly controlled entity	489,164	474,252
	452,103	435,517
	14,646,039	8,643,376
Less: Loan due within one year included in current assets (note 24)	(77,176)	(53,474)
	14,568,863	8,589,902

	The Company	
	2001 HK\$'000	2002 HK\$'000
Loan to a jointly controlled entity	107,037	-



# Notes to the Financial Statements *(continued)*

## For the year ended 30th June, 2002

### 17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

Notes:

Details of the principal jointly controlled entities at the balance sheet date are as follows:

**(a) Superhighway project in Guangdong Province**

A subsidiary, Hopewell China Development (Superhighway) Limited, entered into a joint venture contract and supplemental agreements with The Guangdong Provincial Highway Construction Company for the construction, operation and management of the Guangzhou-Shenzhen-Zhuhai superhighway (the "Superhighway") in Guangdong Province of the PRC in three phases which are undertaken by a co-operative joint venture company established in the PRC named Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GSZ Superhighway"). The terms of co-operation of each phase of the Superhighway shall be 30 years from the official opening date of each phase. At the end of the co-operation period, all the immovable assets and facilities of GSZ Superhighway relating to each phase will revert to the PRC partner without compensation.

*Phase I of the Superhighway ("Guangzhou-Shenzhen Superhighway")*

The Group's entitlement to the profit of the toll operations of Guangzhou-Shenzhen Superhighway is 50% for the initial ten years, 48% for the next ten years and 45% for the last ten years of the joint venture period. The Group is also entitled to a share of 80% of the rentals and other income, after deduction of operating and financial expenses, arising from the development of commercial centres and shop spaces along and underneath the superhighway for a period of 30 years commencing on the date of completion of Guangzhou-Shenzhen Superhighway.

GSZ Superhighway has also been granted the rights to develop parcels of land within certain interchanges of Guangzhou-Shenzhen Superhighway for sale or rental with certain land premium to be waived. Detail terms of such grant have yet to be finalised.

The registered capital contributed and advances made to GSZ Superhighway by the Group totalling approximately HK\$1,085 million (2001: HK\$6,953 million) carry interest at commercial lending rates. Guangzhou-Shenzhen Superhighway was officially opened in July 1997.

Financial information regarding GSZ Superhighway is set out below:

**Operating results**

	Year ended 30th June,	
	2001 RMB'000	2002 RMB'000
Turnover	1,766,880	1,892,137
Depreciation	138,465	148,044
Profit from ordinary activities before taxation	488,121	1,018,010
Profit from ordinary activities before taxation attributable to the Group	244,060	509,005

## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

(a) Superhighway project in Guangdong Province *(continued)*

*Phase I of the Superhighway ("Guangzhou-Shenzhen Superhighway") (continued)*

Assets and liabilities	At 30th June,	
	2001 RMB'000	2002 RMB'000
Non-current assets		
Toll roads and other assets	11,691,227	11,452,574
Non-current liabilities		
Loans from joint venture partners	(6,757,736)	(468,162)
Bank borrowings	(3,223,153)	(8,508,180)
Other long-term liabilities	(736,220)	(458,576)
Registered capital contributed by a joint venture partner	(744,963)	(742,646)
Current assets	552,974	412,711
Current liabilities	(347,385)	(465,605)

*Phases II and III of the Superhighway ("Guangzhou-Zhuhai Superhighway")*

The rights and interests in the development of Phases II and III of the Superhighway were transferred to another subsidiary, Hopewell Guangzhou-Zhuhai Superhighway Development Limited ("HGZ Superhighway"), free of any payment.

Under the joint venture contract entered into with The Guangdong Provincial Highway Construction Company, Guangzhou-Zhuhai Superhighway will be developed in three phases through a jointly controlled entity to be established for this purpose. The co-operation period of Phase I of Guangzhou-Zhuhai Superhighway will be 30 years from the date on which the business licence of the jointly controlled entity is granted. The co-operation period of Phases II and III of Guangzhou-Zhuhai Superhighway will be 30 years from the respective commencement dates of the construction works for these phases. During the co-operation period of Phase I, HGZ Superhighway is entitled to 50% of the operating surplus of the jointly controlled entity arising from this phase after repayment of its borrowings. At the end of the co-operation period, all the immovable assets of the jointly controlled entity and facilities of the project will revert to the PRC partner without compensation. Detailed terms for development of Phases II and III of Guangzhou-Zhuhai Superhighway are yet to be agreed by the parties concerned. The joint venture contract is subject to approval by the relevant PRC authorities.

(b) Highway project in Shunde

A subsidiary, Hopewell Shunde Roads Limited ("Hopewell Shunde"), entered into joint venture contracts with a PRC party for the construction and operation of a highway system in Shunde, the PRC, which are undertaken by a co-operative joint venture company established in the PRC named Shunde Municipal Shunhope Highway Construction Company Limited ("Shunde Shunhope"). The co-operation period is 33 years from 23rd August, 1993, comprising a construction period of 3 years and an operation period of 30 years. The Group is entitled to share 25% of the operating surplus of Shunde Shunhope after repayment of its borrowings and repatriation of registered capital. The highway was officially opened in August 1996.

## Notes to the Financial Statements *(continued)*

*For the year ended 30th June, 2002*

### 17. INTERESTS IN JOINTLY CONTROLLED ENTITIES *(continued)*

**(c) Ring Road project in Guangzhou**

A subsidiary, Hopewell Guangzhou Ring Road (Hong Kong) Limited, entered into a joint venture contract with a PRC party for the construction, operation and management of Guangzhou East-South-West Ring Road, which are undertaken by a co-operative joint venture company established in the PRC named Guangzhou E-S-W Ring Road Company Limited ("Guangzhou Ring Road"). The rights and obligations of Hopewell Guangzhou Ring Road (Hong Kong) Limited were subsequently transferred to another subsidiary, Hopewell Guangzhou Ring Road Limited ("Hopewell Ring Road"). Hopewell Ring Road entered into agreements with a subsidiary of Cheung Kong Infrastructure Holdings Limited, named CKI Guangzhou Ring Roads Limited ("CKI Ring Roads") and the PRC party under which Hopewell Ring Road, CKI Ring Roads and the PRC party have agreed to finance the construction of Guangzhou East-South-West Ring Road. The co-operation period shall be approximately 30 years commencing from January 2002.

The Group is entitled to 45% of the operating surplus of Guangzhou Ring Road for the initial ten years of the co-operation period and thereafter the Group's profit entitlement will be reduced to 37.5% for the subsequent ten years and 32.5% for the remaining ten years of the co-operation period. The ring road was officially opened in January 2002.

The advances made to Guangzhou Ring Road by the Group totalling approximately HK\$957 million (2001: HK\$1,243 million) are unsecured and interest free and are repayable out of the net cash surplus from the operations of the joint venture company.

**(d) National Highway 105 project in Shunde**

A subsidiary, Hopewell Shunde Highway 105 Limited, has entered into joint venture contracts with certain PRC parties for the widening and upgrading of the existing National Highway 105 in Shunde, the PRC, which are undertaken by a co-operative joint venture company established in the PRC named Shunde Municipality Shunda Highway Company Limited ("Shunde Shunda"). The co-operation period is 29 years from 31st December, 1997 comprising a construction period of 3 years and an operation period of 26 years. The Company is entitled to a share of 30% of the operating surplus of Shunde Shunda after repayment of its borrowings and repatriation of registered capital. The highway was officially opened in January 2001.

**(e) Property development project in Macau**

The unlisted investment represents the Group's 50% interest in Nova Taipa-Urbanizacoes Limitada ("Nova Taipa"), a limited company incorporated and operating in Macau which is engaging principally in property development. The advances made to Nova Taipa by the Group totalling approximately HK\$474 million (2001: HK\$489 million) which are unsecured with no fixed repayment terms, carried interest at commercial lending rates up to 31st December, 2001 and are interest free thereafter.

# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 18. INTERESTS IN ASSOCIATES

	The Group	
	2001 HK\$'000	2002 HK\$'000
Share of net assets	116,254	92,053
Amounts due from associates	2,323	6,292
	118,577	98,345

	The Company	
	2001 HK\$'000	2002 HK\$'000
Unlisted shares and investments, at cost	12,959	7,939
Less: Impairment loss recognised	(2,750)	(2,250)
Amounts due from associates	1,951	5,886
	12,160	11,575

Details of the principal associates are set out in note 39.

## 19. OTHER INVESTMENTS

	The Group		The Company	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
BERTS concession (Note)				
Development expenditure, at cost	5,313,000	5,313,000	-	-
Less: Impairment loss recognised	(5,313,000)	(5,313,000)	-	-
	-	-	-	-
Investment securities				
Unlisted equity investments, at cost	131,110	131,008	3,000	3,000
Less: Impairment loss recognised	(90,951)	(90,951)	-	-
	40,159	40,057	3,000	3,000
	40,159	40,057	3,000	3,000

Note:

A subsidiary, Hopewell (Thailand) Limited ("HTL"), entered into a concession agreement with The Ministry of Transport and Communications of Thailand ("MOTC") and The State Railway of Thailand ("SRT") for the construction and operation of an elevated road and train system within the Bangkok Metropolitan area known as the Bangkok Elevated Road and Train System ("BERTS") and for the development of commercial and residential properties along the concession area. The Group has received notices of termination of the concession agreement from MOTC which has been disputed by HTL. Details of the disputes are set out in note 37(b).

## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 20. LONG-TERM RECEIVABLES

	The Group	
	2001 HK\$'000	2002 HK\$'000
Loans receivable	356,055	448,154
Interest receivable	–	24,674
Proceeds on disposal of a jointly controlled entity	–	257,593
	356,055	730,421
Less: Amounts due within one year included in current assets		
Loans receivable (note 24)	(17,912)	(122,257)
Proceeds on disposal of a jointly controlled entity (note 23)	–	(20,159)
	338,143	588,005

### 21. RESTRICTED/PLEDGED BANK DEPOSITS

	The Group	
	2001 HK\$'000	2002 HK\$'000
Pledged bank deposits	87,376	95,504
Restricted bank deposits (Note)	–	5,086,602
	87,376	5,182,106
Less: Current portion of restricted bank deposits included in current assets	–	(3,349,259)
	87,376	1,832,847

Note:

Restricted bank deposits consist of deposits placed with the trustee for the noteholders as funds held in trust specifically for the benefits of the noteholders under the covenant defeasance effected in accordance with the terms of the notes (note 29).

### 22. INVENTORIES

	The Group	
	2001 HK\$'000	2002 HK\$'000
Hotel and restaurant inventories	9,958	9,696
Construction materials	359	–
	10,317	9,696

The cost of inventories recognised as an expense during the year amounted to approximately HK\$70,522,000 (2001: HK\$75,011,000).

## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 23. TRADE AND OTHER RECEIVABLES

Other than rentals receivable, which are payable upon presentation of invoices, the Group allows an average credit period of 15 to 60 days to its trade customers.

The following is an analysis of trade and other receivables outstanding at the balance sheet date:

	The Group	
	2001 HK\$'000	2002 HK\$'000
Receivables aged		
0 – 30 days	81,910	67,223
31 – 60 days	6,936	29,672
Over 60 days	7,685	7,670
Proceeds on disposal of a jointly controlled entity (note 20)	–	20,159
Retentions receivable	34,023	33,928
	130,554	158,652

### 24. LOANS RECEIVABLE – CURRENT PORTION

	The Group	
	2001 HK\$'000	2002 HK\$'000
Loan to a jointly controlled entity (note 17)	77,176	53,474
Other loans receivable (note 20)	17,912	122,257
	95,088	175,731

### 25. AMOUNTS DUE FROM (TO) CUSTOMERS FOR CONTRACT WORK

	The Group	
	2001 HK\$'000	2002 HK\$'000
Contract costs incurred	593,848	928,379
Recognised profits less losses	22,172	5,893
	616,020	934,272
Less: Progress billings received and receivable	(646,333)	(938,024)
	(30,313)	(3,752)
Represented by:		
Due from customers included in current assets	4,520	11,927
Due to customers included in current liabilities	(34,833)	(15,679)
	(30,313)	(3,752)

At 30th June, 2002, retentions held by customers and advances received from customers for contract work amounted to approximately HK\$34 million (2001: HK\$34 million) and HK\$9 million (2001: HK\$9 million) respectively.

## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 26. TRADE AND OTHER PAYABLES

The following is an analysis of trade and other payables outstanding at the balance sheet date:

	The Group	
	2001 HK\$'000	2002 HK\$'000
Payables due		
0 – 30 days	184,586	198,443
31 – 60 days	171,378	174,682
Over 60 days	155,534	125,850
Retentions payable	32,660	32,761
Development expenditure payable (Note)	685,033	693,218
	1,229,191	1,224,954

Note:

The development expenditure payable represents construction and plant costs incurred by certain subsidiaries of the Company in connection with the Group's overseas infrastructure projects, the development of which has been suspended. Payments for the expenditure are overdue and have been withheld by the subsidiaries pending the outcome of negotiations currently undertaken to recover the costs of investments in these projects.

### 27. SHARE CAPITAL

	The Group and the Company	
	Number of shares 2002 & 2001 '000	Nominal value 2002 & 2001 HK\$'000
Ordinary shares of HK\$2.50 each		
Authorised	1,200,000	3,000,000
Issued and fully paid	875,982	2,189,955

There were no changes in the share capital of the Company for the two years ended 30th June, 2002.

During the year, the Company granted options, at nominal considerations, to certain directors and employees of the Group to subscribe for a total of 8,300,000 ordinary shares in the Company at the exercise price of HK\$6.15 per share. The options are exercisable in the following manner:

Maximum proportion of option exercisable including the proportion of option previously exercised	Exercisable period
1/3	From the expiry of 6 months from the date of grant of option up to 18 months from the date of grant
2/3	From the expiry of 18 months from the date of grant of option up to 30 months from the date of grant
3/3	From the expiry of 30 months from the date of grant of option up to 42 months from the date of grant

The date of grant of option referred to above represents the date on which the option was accepted by the grantee.

Save as disclosed above, no option was granted, exercised, cancelled or lapsed during the year.

# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 28. RESERVES

	Share premium HK\$'000	Investment property revaluation reserve HK\$'000	Capital reserve HK\$'000	Exchange equalisation reserve HK\$'000	Dividend reserve HK\$'000	Retained profits HK\$'000	Total HK\$'000
<b>THE GROUP</b>							
At 1st July, 2000							
– as previously stated	8,508,890	2,612,053	12,711	4,399	–	314,627	11,452,680
– prior period adjustments (note 2)	–	–	70,285	–	52,559	(43,696)	79,148
– as restated	8,508,890	2,612,053	82,996	4,399	52,559	270,931	11,531,828
Final dividend for year ended 30/6/2000 paid	–	–	–	–	(52,559)	–	(52,559)
Revaluation increase	–	40,815	–	–	–	–	40,815
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	–	–	–	(8,843)	–	–	(8,843)
Share of reserves of jointly controlled entities and associates	–	–	–	(31)	–	–	(31)
Reserve realised on disposal of subsidiaries and jointly controlled entity	–	–	14	2,660	–	–	2,674
Net profit for the year	–	–	–	–	–	305,510	305,510
Interim dividend paid	–	–	–	–	–	(43,799)	(43,799)
Final dividend proposed	–	–	–	–	61,319	(61,319)	–
At 30th June, 2001	8,508,890	2,652,868	83,010	(1,815)	61,319	471,323	11,775,595
Final dividend for year ended 30/6/2001 paid	–	–	–	–	(61,319)	–	(61,319)
Revaluation decrease	–	(398,553)	–	–	–	–	(398,553)
Exchange differences on translation of financial statements of subsidiaries, jointly controlled entities and associates	–	–	–	2,148	–	–	2,148
Share of reserves of jointly controlled entities and associates	–	–	–	(837)	–	–	(837)
Net profit for the year	–	–	–	–	–	339,790	339,790
Interim dividend paid	–	–	–	–	–	(52,559)	(52,559)
Final dividend proposed	–	–	–	–	61,319	(61,319)	–
Special dividend proposed	–	–	–	–	262,794	(262,794)	–
At 30th June, 2002	8,508,890	2,254,315	83,010	(504)	324,113	434,441	11,604,265
<b>THE COMPANY</b>							
At 1st July, 2000							
– as previously stated	8,508,890	–	9,872	–	–	525,106	9,043,868
– prior period adjustment (note 2)	–	–	–	–	52,559	–	52,559
– as restated	8,508,890	–	9,872	–	52,559	525,106	9,096,427
Final dividend for year ended 30/6/2000 paid	–	–	–	–	(52,559)	–	(52,559)
Net profit for the year	–	–	–	–	–	39,901	39,901
Interim dividend paid	–	–	–	–	–	(43,799)	(43,799)
Final dividend proposed	–	–	–	–	61,319	(61,319)	–
At 30th June, 2001	8,508,890	–	9,872	–	61,319	459,889	9,039,970
Final dividend for year ended 30/6/2001 paid	–	–	–	–	(61,319)	–	(61,319)
Net profit for the year	–	–	–	–	–	246,559	246,559
Interim dividend paid	–	–	–	–	–	(52,559)	(52,559)
Final dividend proposed	–	–	–	–	61,319	(61,319)	–
Special dividend proposed	–	–	–	–	262,794	(262,794)	–
At 30th June, 2002	8,508,890	–	9,872	–	324,113	329,776	9,172,651
Included above is the Group's share of post-acquisition reserves of jointly controlled entities, as follows:							
At 30th June, 2002	–	–	–	(259)	–	722,930	722,671
At 30th June, 2001	–	–	–	1,246	–	299,368	300,614
Included above is the Group's share of post-acquisition reserves of associates, as follows:							
At 30th June, 2002	–	25,273	–	24,853	–	33,364	83,490
At 30th June, 2001	–	25,273	–	24,185	–	53,706	103,164

The Company's total distributable reserves at 30th June, 2002 represent retained profits and dividend reserve of HK\$329,776,000 (2001: HK\$459,889,000) and HK\$324,113,000 (2001: HK\$61,319,000) respectively.



# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 29. LONG-TERM BORROWINGS

	The Group	
	2001 HK\$'000	2002 HK\$'000
Unsecured notes payable (Note)		
Principal amount	4,493,541	4,415,541
Premium on early redemption of notes accrued	–	112,528
Less: Unamortised note issue expenses	(84,694)	(26,345)
	4,408,847	4,501,724
Secured bank loans payable		
within one year	194,825	289,776
between one and two years	448,625	400,499
between two and five years	1,734,218	1,751,569
after five years	993,600	501,000
	3,371,268	2,942,844
Other unsecured loans payable between two and five years	46,234	46,880
	7,826,349	7,491,448
Less: Portion due within one year included in current liabilities		
Unsecured notes payables	–	(2,902,341)
Premium on early redemption of notes	–	(112,528)
Less: Unamortised note issue expenses	–	13,252
	–	(3,001,617)
Secured bank loans	(194,825)	(289,776)
	(194,825)	(3,291,393)
	7,631,524	4,200,055

Note:

The balance represents:

	The Group	
	2001 HK\$'000	2002 HK\$'000
Principal amount of the notes payable		
within one year	–	2,902,341
between two and five years	1,513,200	1,513,200
after five years	2,980,341	–
	4,493,541	4,415,541

The unsecured notes were issued by a subsidiary, Guangzhou-Shenzhen Superhighway (Holdings) Ltd., at a consideration comprising 99.622% of an aggregate principal of US\$200 million ("2004 Notes") and 99.349% of an aggregate principal of US\$400 million ("2007 Notes"). The 2004 Notes and 2007 Notes carry interest at 9.875% per annum and 10.25% per annum respectively which are payable semi-annually in arrears on 15th February and 15th August of each year.

The 2004 Notes and 2007 Notes will mature on 15th August, 2004 and 15th August, 2007 respectively at 100% of their principal amount, unless redeemed earlier pursuant to the terms of the relevant notes. The 2004 Notes shall be redeemed on their maturity date. The 2007 Notes are redeemable at the option of the issuer at any time on or after 15th August, 2002, in whole or in part, at the following redemption prices plus accrued interest:

Year	Redemption price
2002	105.1250%
2003	102.5625%
2004 and thereafter	100.0000%

## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 29. LONG-TERM BORROWINGS *(continued)*

The aggregate principal value of notes outstanding at 30th June, 2002 is approximately US\$566.1 million (2001: US\$593.6 million). The Group's liability shown above is presented net of notes with an aggregate principal value of approximately US\$10 million (2001: US\$17.5 million) repurchased during the year.

During the year, the Group's jointly controlled entity, Guangzhou-Shenzhen-Zhuhai Superhighway Company Ltd. repaid the loans advanced by the Group amounting to an aggregate of approximately US\$684 million. The Group has effected a covenant defeasance by placing a sum with the trustee of the 2004 Notes and 2007 Notes sufficient for the repayment of the outstanding note principals together with interests payable under the notes. The Group has also resolved to exercise the option to early redeem in August 2002 the notes due in 2007 with an aggregate outstanding principal of approximately US\$372 million pursuant to the terms of the notes.

### 30. WARRANTY LIABILITIES

	The Group		The Company	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Warranties payable (Note a)				
Within one year	78,000	–	78,000	–
Between one and two years	78,000	–	78,000	–
Between two and five years	78,000	–	78,000	–
	234,000	–	234,000	–
Warranty provisions at beginning and end of the year (Note b)	164,059	<b>164,059</b>	–	–
	398,059	<b>164,059</b>	234,000	–
Less: Portion due within one year included in current liabilities	(78,000)	–	(78,000)	–
	<b>320,059</b>	<b>164,059</b>	<b>156,000</b>	–

Notes:

- (a) The warranties payable, which carried interest at 10% per annum, were fully settled during the year.
- (b) The warranty provisions represent management's best estimate of the costs and expenses required to discharge the Group's obligations and liabilities under the warranties given in connection with the disposal of subsidiaries in prior years and, in the opinion of management, are not expected to be payable within one year from the balance sheet date. Accordingly, the provisions are classified as non-current liabilities.

Circumstances giving rise to these liabilities are detailed in note 37(a).

### 31. AMOUNTS DUE TO SUBSIDIARIES

The amounts due to subsidiaries are unsecured and interest free without fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current liabilities.

### 32. AMOUNTS DUE TO ASSOCIATES

The amounts due to associates are unsecured and interest free without fixed repayment terms. Repayment of the amounts will not be demanded within one year from the balance sheet date, accordingly the amounts are classified as non-current liabilities.

## Notes to the Financial Statements (continued)

For the year ended 30th June, 2002

### 33. RECONCILIATION OF PROFIT FROM ORDINARY ACTIVITIES BEFORE TAXATION TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 HK\$'000	2002 HK\$'000
Profit from ordinary activities before taxation	335,526	362,944
Share of results of jointly controlled entities and associates	(224,820)	(557,738)
Interest income from		
jointly controlled entities	(519,616)	(202,157)
bank deposits	–	(54,018)
Dividend from unlisted investments	–	(467)
Interest expenses less amounts capitalised and amount borne by a jointly controlled entity	726,037	599,110
Premium on early redemption of notes	–	112,528
Notes issue expenses amortised	17,260	56,720
Depreciation of property, plant and equipment	15,908	7,636
Profit on disposal of interest in a jointly controlled entity	(381,832)	(191,385)
Impairment loss on a hotel property under development	290,000	–
Amortisation of cost of investment in jointly controlled entities	36,543	40,504
Loss (gain) on disposal of property, plant and equipment	2,141	(495)
Gain on repurchase of notes	(22,791)	(620)
Decrease in inventories	1,838	621
Decrease in properties for sale	1,488	–
Decrease in trade and other receivables, deposits and prepayments	138,417	15,261
(Decrease) increase in trade and other payables and rentals and other deposits	(323,314)	18,260
Increase in amounts due from customers for contract work	(4,520)	(7,407)
Decrease in amounts due to customers for contract work	(57,033)	(19,154)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>31,232</b>	<b>180,143</b>

### 34. ANALYSIS OF CHANGES IN FINANCING DURING THE YEAR

	Warranty liabilities HK\$'000	Long-term borrowings and short-term loans not within three months of maturity* HK\$'000
Balance at 1st July, 2000	475,899	10,540,831
Exchange adjustments	160	(4,068)
Net cash outflow from financing activities	(78,000)	(2,376,883)
Gain on repurchase of notes	–	(22,791)
Notes issue expenses charged to income statement	–	17,260
Balance at 30th June, 2001	398,059	8,154,349
Exchange adjustments	–	10,392
Net cash outflow from financing activities	(234,000)	(736,921)
Gain on repurchase of notes	–	(620)
Notes issue expenses charged to income statement	–	56,720
<b>Balance at 30th June, 2002</b>	<b>164,059</b>	<b>7,483,920</b>

	2001 HK\$'000	2002 HK\$'000
* Included in:		
Long-term borrowings	7,826,349	7,378,920
Short-term bank loans	328,000	105,000
	<b>8,154,349</b>	<b>7,483,920</b>

## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 35. CHARGES ON ASSETS AND OPTIONS TO ACQUIRE SHARES IN A SUBSIDIARY

- (a) At the balance sheet date, the Group's investments in certain jointly controlled entities engaging in the development of infrastructure projects were pledged to the lenders to secure the bank loan facilities to the extent of approximately HK\$607 million (2001: HK\$1,190 million) granted to the Group and the jointly controlled entities to finance the development of such projects.
- (b) Other credit facilities of the Group to the extent of approximately HK\$3,072 million (2001: HK\$2,934 million) were secured by mortgages or charges on the Group's properties, bank deposits and other assets with an aggregate carrying value of approximately HK\$6,772 million (2001: HK\$7,186 million). At the balance sheet date, such facilities were utilised to the extent of approximately HK\$2,451 million (2001: HK\$2,765 million).
- (c) The amounts due by certain subsidiaries to their holding companies totalling approximately HK\$7,226 million (2001: HK\$6,905 million) at the balance sheet date have been subordinated to the bank borrowings of the Group.
- (d) Under an arrangement in connection with the credit facilities granted to the Group in prior years, the Group has granted an option, at nominal consideration, to the lender to purchase to the extent of 5% of the interests in a subsidiary which acts as the holding company of subsidiaries operating principally in the PRC. The option is only exercisable upon the future successful public flotation of this subsidiary at a price per share which would be the same as the share price of the subsidiary's shares available for public subscription.

### 36. PROJECT COMMITMENTS

At the balance sheet date, companies in the Group had outstanding commitments as follows:

#### (a) Guangzhou-Zhuhai Superhighway, the PRC

As detailed in note 17(a), a subsidiary has undertaken the development of Guangzhou-Zhuhai Superhighway through a jointly controlled entity to be established in the PRC. The estimated total development expenditure for Phase I of Guangzhou-Zhuhai Superhighway amounted to approximately RMB1,680 million of which RMB294 million will be provided by the Group. Up to the balance sheet date, development expenditure of approximately RMB134 million (2001: RMB134 million) has been incurred by the Group for this project.

#### (b) National Highway 105 in Shunde, the PRC

As detailed in note 17(d), a subsidiary has undertaken the development of National Highway 105 through a jointly controlled entity established in the PRC. During the year, the subsidiary entered into a preliminary agreement to develop Phase III of the highway at the cost of approximately RMB280 million, of which RMB28 million will be provided by the Group. The preliminary agreement is subject to approval by the relevant PRC authorities.

#### (c) Power Station Project in the Republic of Indonesia

A subsidiary has undertaken the development of the Tanjung Jati B Power Station in Indonesia. The total development cost is estimated to be approximately HK\$13,687 million. Development expenditure and project costs incurred up to the balance sheet date amounted to approximately HK\$3,163 million (2001: HK\$3,163 million). The Group has issued a notice to P.T. PLN (Persero), an electricity company operating in Indonesia, of the occurrence of certain Events of Force Majeure under the terms of the power purchase agreement. The development of this project has been temporarily suspended.

## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 36. PROJECT COMMITMENTS *(continued)*

#### (d) Other investments

- (i) A subsidiary has agreed to provide funds to the extent of HK\$800 million to a jointly controlled entity for the development of its property development project. At the balance sheet date, funds advanced by the subsidiary to the jointly controlled entity amounted to approximately HK\$474 million (2001: HK\$489 million). As at that date, the Group's share of the commitment of the jointly controlled entity in respect of property development expenditure, which was contracted but not provided for in the financial statements, amounted to approximately HK\$33,933,000 (2001: HK\$374,000).
- (ii) Certain subsidiaries have also agreed to undertake the development of the commercial and residential properties in Machong county of Dongguan, the PRC, subject to approval by the relevant authority and/or the signing of formal project agreements, the terms and conditions of which are yet to be finalised.

#### (e) Property development expenditures

	The Group		The Company	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Authorised but not yet contracted for	66,519	88,054	–	–
Contracted for but not provided	21,513	4,607	–	–
	88,032	92,661	–	–

### 37. CONTINGENCIES

At the balance sheet date, there were contingencies as follows:

#### (a) Disposal of CEPA

In connection with the disposal by the Group of its interests in Consolidated Electric Power Asia Limited ("CEPA") in prior years, the Group entered into an agreement with the purchaser under which the purchaser and its affiliates agreed to release and discharge the Group from all claims whatsoever that they may have against the Group arising under the sale agreement. The Group has also agreed to release and discharge the purchaser and its affiliates from all claims whatsoever the Group may have against them. In consideration thereof, the Group has agreed to give certain performance undertakings and indemnities and to make warranty payments to the purchaser and its affiliates which have been provided for in prior years.

#### (b) Transport system in Thailand

The Ministry of Transport and Communications of Thailand ("MOTC") has issued termination notices to Hopewell (Thailand) Limited ("HTL") to terminate the concession agreement entered into with HTL and reserved the rights to claim for any damages arising from such termination. MOTC has also issued a letter to seize all the concession payments which have been made by HTL and the performance bond of approximately HK\$94 million issued by a bank on behalf of HTL. However, the Government party has been unable to seize the bond since grounds for termination are disputed. In September 1998, MOTC confirmed the termination of the concession agreement and stated that HTL will be informed of the amount of damages in the future. On the other hand, HTL contended that the concession has been confiscated or expropriated by MOTC outside the terms of the concession agreement and has made a claim for damages of approximately Baht 100 billion and demanded MOTC to release the aforesaid performance bond. The directors consider it impracticable to assess the outcome of the actions taken.

## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 37. CONTINGENCIES *(continued)*

#### (c) Infrastructure project in Luzon

A legal action was taken by a former director and a company related to him against the Company claiming, inter alia, compensation for expenses allegedly incurred in connection with a proposed infrastructure project in Luzon, the Republic of the Philippines, of approximately HK\$13.9 million and a declaration that the Company is contractually bound to allocate certain percentage of shares in the associate undertaking that project. The Company has filed a defence against the claims and intends to contest the case vigorously. The directors, based on legal advice obtained, are of the opinion that the case is without merit and would not result in any material losses to the Group.

#### (d) Other projects

A legal action was taken by a supplier against a subsidiary claiming, inter alia, compensation for alleged breach of contract of approximately HK\$33 million in connection with the construction of a road project in prior years. The subsidiary intends to contest the case vigorously. The directors, based on legal advice obtained, are of the opinion that the case is without merit and would not result in any material losses to the Group.

#### (e) Other indemnities and guarantees

	The Group		The Company	
	2001 HK\$'000	2002 HK\$'000	2001 HK\$'000	2002 HK\$'000
Guarantees given for credit facilities of:				
Subsidiaries	–	–	3,994,554	3,147,778
A jointly controlled entity	–	706,500	–	–
Counter indemnities given in respect of performance bonds issued for construction projects	28,885	–	28,885	–

# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 38. PRINCIPAL SUBSIDIARIES

The following list contains only the details of the subsidiaries which principally affect the results, assets or liabilities of the Group as the directors are of the opinion that a complete list of all the subsidiaries will be of excessive length. Except otherwise indicated, all the subsidiaries are private companies and are operating principally in the place of incorporation and all issued shares are ordinary shares. None of the subsidiaries had any loan capital outstanding during the year or at the end of the year.

Name of company	Paid up issued share capital	Proportion of nominal value of issued ordinary share capital held by the Company		Principal activities
		Directly %	Indirectly %	
<i>Incorporated in Hong Kong:</i>				
Goldhill Investments Limited	2 shares of HK\$100 each and 60,600 non-voting deferred shares of HK\$100 each	–	100	Property investment
Hopewell China Development (Superhighway) Limited (ii)	2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	–	97.5	Investment in super-highway project
Hopewell Construction Company, Limited	200,000 shares of HK\$100 each	–	100	Construction, project management and investment holding
HH Finance Limited	100,000 shares of HK\$10 each	100	–	Loan financing
Hopewell Food Industries Limited	1,000,000 shares of HK\$1 each	–	100	Restaurant operation
Hopewell Guangzhou-Zhuhai Superhighway Development Limited (ii)	2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	–	100	Investment in super-highway project
Hopewell Housing Limited	30,000 shares of HK\$100 each	100	–	Property agents and investment holding
Hopewell Huang Gang Development Limited (ii)	2 shares of HK\$1 each	–	100	Property investment
Hopewell Property Management Company Limited	2 shares of HK\$100 each	100	–	Building management
Hopewell Shunde Roads Limited (ii)	2 shares of HK\$1 each	–	100	Investment in highway system project
Hopewell Slipform Engineering Limited	2,000,000 shares of HK\$1 each	–	100	Construction specialist sub-contractor
Hopewell 108 Limited	1,000 shares of HK\$100 each	–	100	Property investment
Hopewell 109 Limited	100 shares of HK\$100 each	100	–	Investment holding
Hopewell 110 Limited	10,000 shares of HK\$100 each	–	100	Property investment and development
International Trademart Company Limited	2 shares of HK\$1 each and 10,000 non-voting deferred shares of HK\$1 each	–	100	Property investment and operation of a trademart
Kowloon Panda Hotel Limited	2 shares of HK\$100 each and 20,000 non-voting deferred shares of HK\$100 each	–	100	Hotel ownership and operations

# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 38. PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Paid up issued share capital	Proportion of nominal value of issued ordinary share capital held by the Company		Principal activities
		Directly %	Indirectly %	
<i>Incorporated in Hong Kong: (continued)</i>				
Lok Foo Company Limited	52,000 shares of HK\$100 each	100	–	Investment holding
Mega Hotels Management Limited	3,000,000 shares of HK\$1 each	100	–	Hotel management and investment holding
Parkgate Enterprises Limited	10,000 shares of HK\$10 each	–	100	Property investment
Slipform Engineering Limited	1,000,001 shares of HK\$1 each	–	100	Construction, project consultant and investment holding
Wetherall Investments Limited	2 shares of HK\$1 each and 2 non-voting deferred shares of HK\$1 each	–	100	Property investment and investment holding
Yuba Company Limited	10,000 shares of HK\$1 each	–	100	Property investment
<i>Incorporated in Macau:</i>				
Slipform Engineering (Macau) Limited	500,000 shares of MOP 1 each	–	100	Construction
<i>Incorporated in the British Virgin Islands:</i>				
Frederique Securities Limited (i)	1 share of US\$1 each	100	–	Treasury investment
Goldvista Properties Limited (i)	1 share of US\$1 each	–	100	Property investment
Guangzhou-Shenzhen Superhighway (Holdings) Ltd. (i)	20,000 shares of US\$1 each	–	97.5	Investment holding
Hopewell Guangzhou Ring Road Limited (ii)	1 share of US\$1 each	–	100	Investment in highway system project
Hopewell Shunde Highway 105 Limited (ii)	2 shares of US\$1 each	–	100	Investment in highway system project
Kammer Investment Limited (i)	1 share of US\$1 each	100	–	Investment holding
Kanematsu Power (South China) Co. Limited (ii)	10,000 shares of US\$1 each	–	83.34	Development of power station
Primax Investment Limited (i)	1 share of US\$1 each	100	–	Investment holding
Procelain Properties Ltd. (i)	1 share of US\$1 each	–	100	Property investment
Singway (B.V.I.) Company Limited (i)	1 share of US\$1 each	–	100	Property investment
Tubanan Power Limited (i)	100 shares of US\$1 each	–	100	Investment holding
Yee Shing International Limited (ii)	1 share of US\$1 each	–	100	Treasury investment



## Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

### 38. PRINCIPAL SUBSIDIARIES *(continued)*

Name of company	Paid up issued share capital	Proportion of nominal value of issued ordinary share capital held by the Company		Principal activities
		Directly %	Indirectly %	
<i>Incorporated in Cayman Islands:</i>				
Delta Roads Limited (i)	46,422 shares of HK\$10 each	–	100	Investment holding
<i>Incorporated in Thailand:</i>				
Hopewell (Thailand) Limited	1,500,000,000 shares of Baht 10 each	100	–	Investment in an elevated road and train system
<i>Incorporated in the Republic of Malta:</i>				
Grand Hotel Excelsior Limited	50,000 shares of LM1 each	–	100	Development and operation of a hotel
Slipform Engineering (Malta) Limited	10,000 shares of LM1 each	–	100	Project management and construction
<i>Incorporated in Indonesia:</i>				
PT Hi Power Tubanan 1	2,200,000 shares of US\$100 each	–	80	Development of a power station project

Notes:

- (i) Operating principally in Hong Kong
- (ii) Operating principally in other regions of the PRC

The non-voting deferred shares carry practically no rights to dividends, no rights to receive notice of or to attend or vote at any general meeting of the relevant companies nor to participate in any distribution on winding up.

Particulars of the subsidiaries, including those subsidiaries not listed above, will be annexed to the next annual return of the Company to be filed with The Registrar of Companies in accordance with the Companies Ordinance.

### 39. PRINCIPAL ASSOCIATES

Particulars regarding the principal associates, all of which are incorporated and operating in Hong Kong except otherwise indicated, are as follows:

Name of company	Proportion of nominal value of issued capital held by the Company directly		Principal activities
	%		
Granlai Company Limited (i)	46		Property investment
Shin Ho Ch'eng Development Limited (i), (ii)	20		Hotel operation

Notes:

- (i) Adopted 31st December as financial year end date
- (ii) Operating principally in the PRC

The directors are of the opinion that a complete list of all the associates will be of excessive length. Particulars of the associates, including those associates not listed above, will be annexed to the next annual return of the Company to be filed with The Registrar of Companies in accordance with the Companies Ordinance.

# Notes to the Financial Statements *(continued)*

For the year ended 30th June, 2002

## 40. OPERATING LEASE COMMITMENTS

### The Group as lessee

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

	The Group	
	2001 HK\$'000	2002 HK\$'000
Within one year	875	952
In the second to fifth year inclusive	1,365	2,216
	2,240	3,168

Operating lease payments represent rentals payable by the Group for land and buildings. Leases are negotiated and rentals are fixed for an average term of two to five years.

### The Group as lessor

All of the properties leased out have committed tenants for the next one to three years without termination options granted to tenants.

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

	The Group	
	2001 HK\$'000	2002 HK\$'000
Within one year	217,112	165,753
In the second to fifth years inclusive	191,297	102,975

The Company had no significant operating lease commitments at the balance sheet date.

## 41. POST BALANCE SHEET EVENTS

On 15th August, 2002, the Group exercised the option under the instrument constituting the 2007 Notes to redeem all the outstanding 2007 Notes with an aggregate principal amount of HK\$2,902 million at the redemption price of 105.125% of the principal amount.

## 42. APPROVAL OF FINANCIAL STATEMENTS

The financial statements on pages 47 to 87 were approved and authorised for issue by the Board of Directors on 20th August, 2002.